

Planning by	Reviewed	Performed by	Final review



Stellenbosch Municipality
Annual Financial Statements
for the year ended 30 June 2019
Auditor-General of South Africa

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Mayoral committee

Executive Mayor
Deputy Executive Mayor
Speaker
Executive Councillors

G van Deventer
N Jindela
M Pietersen
P Biscombe
J De Villiers
A Frazenburg
E Groenewald
X Mdemka
S Peters
W Petersen
P Crawley
Q Smit
F Adams
F Badenhorst
N Bakubaku Vos
F Bangani-Menziwa
G Cele
J Serdyn
A Crombie
M De Wet
R Du Toit
A Florence
E Fredericks
T Gosa
J Hamilton
A Hanekom
D Hendrickse
J Hendriks
L Horsband
M Johnson
Mananga-Gugushe
C Manuel
M Mc Ombring
R Nalumango
N Olayi
M Oliphant
D Joubert
W Pietersen
S Schafer
N Sinkinya
P Sitshoti
L Stander
E Vermeulen

Councillors

Accounting Officer

G Mettler

Chief Finance Officer (CFO)

K Carolus

Registered office

Plein Street
Stellenbosch

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

	7600
Business address	Plein Street Stellenbosch 7600
Postal address	P O Box 17 Stellenbosch 7599
Bankers	ABSA NEDBANK
Auditors	Auditor-General of South Africa

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

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Abbreviations

CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
VAT	Value added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 34 and 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis, is hereby approved.

Accounting Officer
Geraldine Mettler

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	*Restated 2018
Assets			
Current Assets			
Cash and cash equivalents	3	169 490 533	20 683 383
Short term investments	4	398 163 664	505 617 672
Receivables from exchange transactions	5	161 402 873	170 499 812
Receivables from non-exchange transactions	6	65 966 659	57 937 486
Other receivables from exchange transactions	7	10 155 967	6 209 038
Inventories	8	52 307 942	41 690 312
VAT receivable	9	47 420 470	54 272 329
Long term receivables	15	1 630 959	1 600 207
		906 539 067	858 510 239
Non-Current Assets			
Property, plant and equipment	10	5 057 061 065	4 750 605 846
Investment property	11	420 777 174	421 147 702
Intangible assets	12	6 534 960	3 009 333
Biological assets that form part of an agricultural activity	13	6 321 448	6 321 448
Heritage assets	14	774 002	774 002
Long term receivable	15	3 024 999	2 158 458
		5 494 493 648	5 184 016 789
Total Assets		6 401 032 715	6 042 527 028
Liabilities			
Current Liabilities			
Consumer deposits	16	17 077 912	15 673 925
Employee benefit obligation	17	55 599 752	49 603 946
Operating lease liability	18	971 080	1 079 160
Other financial liabilities	19	25 869 707	14 501 990
Provisions	20	642 909	-
Payables from exchange transactions	21	269 021 019	243 315 870
Unspent conditional grants and receipts	22	148 233 956	100 324 080
		517 416 335	424 498 971
Non-Current Liabilities			
Other financial liabilities	19	292 930 440	158 800 148
Employee benefit obligation	17	201 830 792	217 470 757
Provisions	20	101 701 567	79 165 186
		596 462 799	455 436 091
Total Liabilities		1 113 879 134	879 935 062
Net Assets		5 287 153 581	5 162 591 966
Accumulated surplus	23	5 287 153 581	5 162 591 948

* See Note 63

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	*Restated 2018
Revenue			
Revenue from exchange transactions			
Service charges	24	817 760 063	862 001 445
Rental of facilities and equipment	25	14 524 336	14 992 251
Interest earned - outstanding receivables		8 024 881	6 848 597
Agency services	27	2 833 175	2 521 016
Licences and permits	28	6 610 962	6 757 407
Other income	29	26 705 321	25 125 344
Investment revenue	30	44 271 827	55 109 631
Gain on disposal of assets and liabilities		-	335 771
Gain on biological assets and agricultural produce		51 591	91 149
Reversal of inventory losses		6 218 654	-
Total revenue from exchange transactions		927 000 810	973 782 611
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	31	332 957 900	309 988 786
Transfer revenue			
Government grants & subsidies	32	234 134 499	211 189 788
Fines, penalties and forfeits	33	118 046 132	114 767 168
Total revenue from non-exchange transactions		685 138 531	635 945 742
Total revenue		1 612 139 341	1 609 728 353
Expenditure			
Employee related costs	34	(461 114 130)	(441 294 811)
Remuneration of councillors	35	(18 272 420)	(17 307 558)
Contribution to/from provisions	37	(6 025 885)	(996 043)
Contribution to employee benefits	38	(1 273 639)	(11 727 667)
Depreciation and amortisation	39	(174 958 815)	(157 549 555)
Reversal of impairments		(1 705 912)	(6 386 273)
Finance costs	40	(23 207 266)	(18 775 322)
Lease rentals on operating lease	41	(2 933 062)	(8 085 133)
Debt Impairment	42	(105 207 214)	(47 970 580)
Contribution to allowance for doubtful debt	43	(21 952 121)	(72 459 662)
Bulk purchases	44	(380 670 630)	(329 679 492)
Contracted services	45	(151 817 580)	(125 083 457)
Transfers and Subsidies	46	(8 990 039)	(6 261 185)
Loss on disposal of assets and liabilities		(5 111 906)	-
Fair value adjustments		(350 833)	(795 806)
Inventories losses/write-downs		(2 157 273)	(643 179)
General Expenses	47	(121 828 999)	(118 936 974)
Total expenditure		(1 487 577 724)	(1 363 952 697)
Surplus for the year		124 561 617	245 775 656

* See Note 63

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 930 628 374	4 930 628 374
Adjustments		
Prior year adjustments	(13 812 082)	(13 812 082)
Balance at 01 July 2017 as restated*	4 916 816 292	4 916 816 292
Changes in net assets		
Surplus for the year	245 775 656	245 775 656
Total changes	245 775 656	245 775 656
Restated* Balance at 01 July 2018	5 162 591 964	5 162 591 964
Changes in net assets		
Surplus for the year	124 561 617	124 561 617
Total changes	124 561 617	124 561 617
Balance at 30 June 2019	5 287 153 581	5 287 153 581

Refer to note 23.

* See Note 63

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	*Restated 2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 204 431 992	1 179 108 887
Grants		282 044 375	237 075 284
Interest income		44 271 827	55 109 631
		<u>1 530 748 194</u>	<u>1 471 293 802</u>
Payments			
Employee costs		(490 304 348)	(470 493 590)
Suppliers		(630 046 091)	(632 107 109)
Finance costs		(23 207 266)	(18 775 322)
		<u>(1 143 557 705)</u>	<u>(1 121 376 021)</u>
Net cash flows from operating activities	49	<u>387 190 489</u>	<u>349 917 781</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(487 925 719)	(432 960 732)
Proceeds from sale of property, plant and equipment	10	1 916 743	998 250
Purchase of other intangible assets	12	(5 377 971)	(664 395)
Purchases of heritage assets	14	-	(50 000)
Proceeds from sale of biological assets that form part of an agricultural activity	13	51 591	408 708
Movement in investments		107 454 008	69 800 642
Net cash flows from investing activities		<u>(383 881 348)</u>	<u>(362 467 527)</u>
Cash flows from financing activities			
Movement in other financial liabilities		145 498 009	(13 083 929)
Net cash flows from financing activities		<u>145 498 009</u>	<u>(13 083 929)</u>
Net increase/(decrease) in cash and cash equivalents		148 807 150	(25 633 675)
Cash and cash equivalents at the beginning of the year		20 683 383	46 317 058
Cash and cash equivalents at the end of the year	3	<u>169 490 533</u>	<u>20 683 383</u>

* See Note 63

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	907 772 339	-	907 772 339	817 760 063	(90 012 276)	BD1
Rental of facilities and equipment	17 765 541	-	17 765 541	14 524 336	(3 241 205)	BD2
Interest received (trading)	10 576 074	-	10 576 074	8 024 881	(2 551 193)	BD3
Agency services	2 690 098	-	2 690 098	2 833 175	143 077	
Licences and permits	5 092 474	-	5 092 474	6 610 962	1 518 488	BD4
Other income - (rollup)	31 509 264	-	31 509 264	26 705 321	(4 803 943)	BD5
Interest received - investment	45 500 783	-	45 500 783	44 271 827	(1 228 956)	

Total revenue from exchange transactions	1 020 906 573	-	1 020 906 573	920 730 565	(100 176 008)	
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Revenue from non-exchange transactions

Taxation revenue

Property rates	344 306 916	-	344 306 916	332 957 900	(11 349 016)	
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Transfer revenue

Government grants & subsidies	271 048 330	-	271 048 330	234 134 499	(36 913 831)	BD6
Fines, Penalties and Forfeits	102 132 446	-	102 132 446	118 046 132	15 913 686	BD7

Total revenue from non-exchange transactions	717 487 692	-	717 487 692	685 138 531	(32 349 161)	
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Total revenue	1 738 394 265	-	1 738 394 265	1 605 869 096	(132 525 169)	
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Expenditure

Employee related costs	(509 428 895)	-	(509 428 895)	(461 114 130)	48 314 765	BD35
Remuneration of councillors	(18 822 740)	-	(18 822 740)	(18 272 420)	550 320	
Contribution to/from provision	(1 755 980)	-	(1 755 980)	(6 025 885)	(4 269 905)	BD8
Contribution to employee benefits	(39 567 700)	-	(39 567 700)	(1 273 639)	38 294 061	BD9
Depreciation and amortisation	(189 600 297)	-	(189 600 297)	(174 958 815)	14 641 482	
Impairment loss/ Reversal of impairments	(9 218 430)	-	(9 218 430)	(1 705 912)	7 512 518	BD10
Finance costs	(20 476 730)	-	(20 476 730)	(23 207 266)	(2 730 536)	BD11
Collection Cost	(2 800 000)	-	(2 800 000)	(2 933 062)	(133 062)	
Debt Impairment	(90 629 000)	-	(90 629 000)	(105 207 214)	(14 578 214)	BD12
Contribution to allowance for doubtful debt	(30 903 850)	-	(30 903 850)	(21 952 121)	8 951 729	BD13
Bulk purchases	(383 281 710)	-	(383 281 710)	(380 670 630)	2 611 080	
Contracted Services	(251 074 405)	-	(251 074 405)	(151 817 580)	99 256 825	BD14
Transfers and Subsidies	(9 102 419)	-	(9 102 419)	(8 990 039)	112 380	
General Expenses	(162 442 294)	-	(162 442 294)	(121 828 999)	40 613 295	BD15

Total expenditure	(1 719 104 450)	-	(1 719 104 450)	(1 479 957 712)	239 146 738	
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Operating surplus	19 289 815	-	19 289 815	125 911 384	106 621 569	
Loss on disposal of assets and liabilities	-	-	-	(5 111 906)	(5 111 906)	BD16
Fair value adjustments	-	-	-	(350 833)	(350 833)	BD17

Stellenbosch Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Gain on biological assets and agricultural produce	-	-	-	51 591	51 591	
Inventories losses/write-downs	-	-	-	4 061 381	4 061 381	BD18
	-	-	-	(1 349 767)	(1 349 767)	
Surplus before taxation	19 289 815	-	19 289 815	124 561 617	105 271 802	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	19 289 815	-	19 289 815	124 561 617	105 271 802	

Stellenbosch Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Cash and cash equivalents	6 237 103	-	6 237 103	169 490 533	163 253 430	BD19
Short term investments	405 172 823	-	405 172 823	398 163 664	(7 009 159)	
Receivable from exchange transactions	107 059 105	-	107 059 105	161 402 873	54 343 768	BD20
Receivables from non-exchange transactions	71 959 832	-	71 959 832	65 966 659	(5 993 173)	
Other receivables from exchange transactions	165 060 506	-	165 060 506	10 155 967	(154 904 539)	BD21
Inventories	52 125 000	-	52 125 000	52 307 942	182 942	BD22
VAT receivable	-	-	-	47 420 470	47 420 470	BD23
Long term receivables	2 332 000	-	2 332 000	1 630 959	(701 041)	BD24
	809 946 369	-	809 946 369	906 539 067	96 592 698	

Non-Current Assets

Property, plant and equipment	5 112 121 789	-	5 112 121 789	5 057 061 065	(55 060 724)	
Investment property	407 388 869	-	407 388 869	420 777 174	13 388 305	
Intangible assets	7 596 638	-	7 596 638	6 534 960	(1 061 678)	BD25
Biological assets that form part of an agricultural activity	9 938 121	-	9 938 121	6 321 448	(3 616 673)	BD26
Heritage assets	2 424 002	-	2 424 002	774 002	(1 650 000)	BD27
Long term receivables	3 600 000	-	3 600 000	3 024 999	(575 001)	BD24
	5 543 069 419	-	5 543 069 419	5 494 493 648	(48 575 771)	

Total Assets

6 353 015 788	-	6 353 015 788	6 401 032 715	48 016 927	
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Liabilities

Current Liabilities

Consumer deposits	14 274 110	-	14 274 110	17 077 912	2 803 802	BD28
Employee benefit obligation	54 737 255	-	54 737 255	55 599 752	862 497	BD29
Operating lease liability	-	-	-	971 080	971 080	BD30
Other financial liabilities	15 244 695	-	15 244 695	25 869 707	10 625 012	BD31
Provisions	-	-	-	642 909	642 909	BD32
Payables from exchange transactions	241 569 841	-	241 569 841	269 021 012	27 451 171	BD33
Unspent conditional grants and receipts	-	-	-	148 233 956	148 233 956	BD34
	325 825 901	-	325 825 901	517 416 328	191 590 427	

Non-Current Liabilities

Other financial liabilities	321 540 081	-	321 540 081	292 930 440	(28 609 641)	
Employee benefit obligation	235 109 072	-	235 109 072	201 830 792	(33 278 280)	BD29
Provisions	44 570 452	-	44 570 452	101 701 567	57 131 115	BD32

601 219 605	-	601 219 605	596 462 799	(4 756 806)	
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Total Liabilities

927 045 506	-	927 045 506	1 113 879 127	186 833 621	
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Net Assets

5 425 970 282	-	5 425 970 282	5 287 153 588	(138 816 694)	
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 425 970 282		- 5 425 970 282	5 287 153 588	(138 816 694)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	1 279 073 094	-	1 279 073 094	1 204 782 825	(74 290 269)	
Grants	248 152 000	-	248 152 000	282 044 375	33 892 375	CF11
Interest income	55 653 814	-	55 653 814	44 271 827	(11 381 987)	CF12
	1 582 878 908	-	1 582 878 908	1 531 099 027	(51 779 881)	

Payments

Suppliers and employees	(1 229 761 819)	-	(1 229 761 819)	(1 120 701 271)	109 060 548	CF1
Transfers and grants	(9 102 419)	-	(9 102 419)	-	9 102 419	CF2
Finance costs	(20 476 730)	-	(20 476 730)	(23 207 266)	(2 730 536)	
	(1 259 340 968)	-	(1 259 340 968)	(1 143 908 537)	115 432 431	

Net cash flows from operating activities	323 537 940	-	323 537 940	387 190 490	63 652 550	
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Cash flows from investing activities

Purchase of property, plant and equipment	(563 550 230)	-	(563 550 230)	(487 925 720)	75 624 510	CF3
Proceeds from sale of property, plant and equipment	-	-	-	1 916 743	1 916 743	CF4
Purchase of other intangible assets	-	-	-	(5 377 971)	(5 377 971)	CF5
Proceeds from sale of biological assets that form part of an agricultural activity	-	-	-	51 591	51 591	CF8
Movement in investments	-	-	-	107 454 008	107 454 008	CF9
Net cash flows from investing activities	(563 550 230)	-	(563 550 230)	(383 881 349)	179 668 881	

Cash flows from financing activities

Proceeds from other financial liabilities	144 609 363	-	144 609 363	145 498 009	888 646	
Net increase/(decrease) in cash and cash equivalents	(95 402 927)	-	(95 402 927)	148 807 150	244 210 077	
Cash and cash equivalents at the beginning of the year	528 766 223	-	528 766 223	20 683 383	(508 082 840)	
Cash and cash equivalents at the end of the year	433 363 296	-	433 363 296	169 490 533	(263 872 763)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Basis of Preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.2 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Revenue recognition

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Accounting Policy 1.16 on Revenue from Exchange Transactions and Accounting Policy 1.17 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

Accounting Policy 1.9: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.6 and 1.7 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and would require a material adjustment to the carrying value of tangible assets.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 20 - Provisions.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Effective interest rate

The municipality uses the rate of charged on all debtors as the effective interest rate. The effective interest rate on outstanding debtors amounts to prime plus 1%.

1.4 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.

Where fair value of biological assets can be reliably measured, the municipality shall measure it at its fair value less costs to sell.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Item	Useful life
Trees in timber plantation - Consumable	indefinite

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Depreciation is calculated at the straight line method over a period of 30 years.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 11).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is recognised as an asset when:

- it is probable that the future economic benefits or service potential that are associated with the property, plant and equipment will flow to the municipality; and
- the cost or fair value of the item can be determined reliably.

Measurement

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Class	Average useful life
• Land	indefinite
• Machinery and equipment	1-25
• Furniture and office equipment	2-24
• Transport assets	4-20
• Computer equipment	5-23
• Community assets	4-30
• Other property, plant and equipment	6-99
• Capital restoration asset	5-30
• Electrical infrastructure	10-50
• Water supply infrastructure	10-100
• Solid waste infrastructure	10-30
• Roads infrastructure	10-100
• Information and communication infrastructure	3-15
• Waste water network	10-100
• Stormwater infrastructure	10-50

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.6 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are initially measured at cost.

Subsequent to initial measurement Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

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Accounting Policies

1.8 Heritage assets (continued)

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Financial instruments

A financial instrument can broadly be defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services..

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Receivables from non-exchange transactions
Cash and cash equivalents
Other receivables from exchange transactions
Short term investments
Long term receivables

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Payables from exchange transactions
Consumer deposits
Other financial liabilities

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

Accounting Policies

1.9 Financial instruments (continued)

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual payments are recognised as an operating lease asset or liability.

Accounting Policies

1.10 Leases (continued)

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.12 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Management has judged all assets as non cash generating assets.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Accounting Policies

1.14 Employee benefits

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Accounting Policies

1.14 Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies

1.14 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality should determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

Accounting Policies

1.14 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Accounting Policies

1.15 Provisions and Contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. Additional text

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation. x

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in surplus or deficit as they occur.

Accounting Policies

Provisions and contingencies (continued)

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

Grant-in-aid contributions

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognised in total as an accrual as all billing in July pertains to services rendered prior to 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June..

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measure reliably.

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Income from agency services

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Income for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 60 for detail.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Accounting Policies

1.22 Irregular expenditure (continued)

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

Accounting Policies

1.23 Impairment of non-cash-generating assets (continued)

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by Municipal Manager.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.26 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.26 Commitments (continued)

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.27 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Independent Schools Association of Southern Africa / eThekweni Municipality / Stellenbosch Municipality & Others

During the year of assessment, the Municipality joined, as co-applicant together with eThekweni Municipality, in application for the review and setting aside of the Amended Municipal Property Rates Regulation promulgated on 12 March 2010. Initial application was brought against the eThekweni Municipality (Defendant) from the Independent School Association of Southern Africa (Applicant) regarding property rates charged on property of public benefit organisations.

This matter was heard in Kwa-Zulu Natal Local Division: Durban High Court on 5 June 2019. Judgement was delivered on 3 July 2019 and was not in favour of the plaintiff, the Independent Schools Association of Southern Africa. Due to the ruling made, the municipality considers this to be an event after reporting date. Based on the precedent set on the ruling in this case, the judgement may have a material impact on the measurement of revenue from property rates for the municipalities in subsequent accounting periods.

The municipalities were ordered to pay the legal costs of the applicant. This amount is approximated to be R250 000. The municipalities submitted its leave to appeal against the judgement on 24 July 2019, this was subsequently argued and leave to appeal was granted.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has not early adopted any GRAP standard that is not effective.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 220	13 150
Bank balances	169 368 979	10 250 972
Call accounts	-	10 396 986
Trust and charitable bank	102 334	22 275
	169 490 533	20 683 383

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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3. Cash and cash equivalents (continued)

Call accounts

Nedbank	-	10 396 986
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The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Nedbank - primary account	167 107 031	10 498 115	-	169 368 979	10 250 972	-
ABSA bank - current account	1 277 273	1 569 981	15 888 554	-	-	16 606 566
Trust and charitable	112 334	22 275	-	102 334	22 275	-
Total	168 496 638	12 090 371	15 888 554	169 471 313	10 273 247	16 606 566

The following are restrictions on cash and investments:

- External Loans R37 096 470

The comparative amounts were restated. Refer to note 61.1

4. Short term investments

Short term investments

Fixed deposits	398 163 664	505 617 672
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Short term investments include all other investments for a period of 1-12 months that are not included in cash and cash equivalents. The interest rates for these investments range between **7.650%** (2mths) and **9.050%** (12mths)

Short term investments consists of the following:

ABSA - Investments

-	152 308 603
-	(152 308 603)
-	-

FNB - Investments

203 467 342	102 083 164
(203 467 342)	101 384 178
-	203 467 342

Nedbank - Investments

199 994 027	180 604 685
86 768 945	19 389 342
286 762 972	199 994 027

Standard Bank - Investments

102 156 301	140 421 863
(51 793 528)	(38 265 562)
50 362 773	102 156 301

Investec

61 037 918	-
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Receivables from exchange transactions		
Gross balances		
Electricity	40 181 151	32 746 739
Water	84 298 215	73 036 271
Sewerage	23 192 540	22 801 193
Refuse	22 876 061	19 639 669
Housing rental	23 907 609	24 241 851
Sundry	9 863 657	9 227 033
Electricity accrual	67 102 118	66 364 959
Water accrual	15 522 807	27 162 747
	286 944 158	275 220 462
Less: Allowance for impairment		
Electricity	(5 981 186)	(4 497 445)
Water	(66 846 818)	(53 807 665)
Sewerage	(16 152 217)	(13 395 340)
Refuse	(18 354 951)	(15 250 409)
Housing rental	(9 258 460)	(9 236 205)
Sundry	(8 947 653)	(8 533 586)
	(125 541 285)	(104 720 650)
Net balance		
Electricity	34 199 965	28 249 294
Water	17 451 397	19 228 606
Sewerage	7 040 323	9 405 853
Refuse	4 521 110	4 389 260
Electricity accrual	67 102 118	66 364 959
Water accrual	15 522 807	27 162 747
Housing rental	14 649 149	15 005 646
Sundry	916 004	693 447
	161 402 873	170 499 812
Electricity		
Current (0 -30 days)	32 624 115	27 586 464
31 - 60 days	1 148 130	187 555
61 - 90 days	639 783	214 740
91 - 120 days	277 050	172 366
121 - 365 days	1 066 801	1 202 058
> 365 days	4 425 272	3 383 556
	40 181 151	32 746 739
Water		
Current (0 -30 days)	13 810 713	18 664 107
31 - 60 days	3 070 258	2 382 623
61 - 90 days	2 208 391	2 827 909
91 - 120 days	2 171 375	2 604 587
121 - 365 days	18 687 754	16 581 632
> 365 days	44 349 724	29 975 413
	84 298 215	73 036 271

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	5 807 634	8 714 528
31 - 60 days	483 993	483 949
61 - 90 days	435 064	373 598
91 - 120 days	374 823	372 138
121 - 365 days	3 100 555	2 690 204
> 365 days	12 990 471	10 166 776
	23 192 540	22 801 193
Refuse		
Current (0 -30 days)	3 383 765	3 704 813
31 - 60 days	498 839	377 679
61 - 90 days	389 466	356 344
91 - 120 days	372 158	370 867
121 - 365 days	3 402 793	3 035 105
> 365 days	14 829 040	11 794 861
	22 876 061	19 639 669
Electricity accrual		
Current (0 -30 days)	67 102 118	66 364 959
Water accrual		
Current (0 -30 days)	15 522 807	27 162 747
Housing rental		
Current (0 -30 days)	259 533	679 204
31 - 60 days	143 963	262 431
61 - 90 days	135 487	1 003 386
91 - 120 days	1 016 963	242 811
121 - 365 days	937 822	1 501 457
> 365 days	21 413 841	20 552 562
	23 907 609	24 241 851
Other		
Current (0 -30 days)	685 070	597 491
31 - 60 days	132 050	210 084
61 - 90 days	145 872	92 186
91 - 120 days	115 192	164 296
121 - 365 days	614 853	1 028 918
> 365 days	8 170 620	7 134 058
	9 863 657	9 227 033
Reconciliation of allowance for impairment		
Balance at beginning of the year	(104 720 650)	(83 285 939)
Contributions to allowance	(20 820 635)	(21 585 559)
Reversal of allowance	-	150 848
	(125 541 285)	(104 720 650)

Receivables from exchange transactions past due but not impaired

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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5. Receivables from exchange transactions (continued)

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

The comparative figures were restated. Refer to note 63.2

Government debt as at 30 June 2019

Department responsible for debt	Services	Interest	Sundry	Total
Nat. dept of Public Works	1 717 731	79 661	9 084	1 806 476
Prov. dept of Transport and Public Works	561 171	43 264	3 915	608 350
Western Cape education department	1 671 674	8 145	608	1 680 427
Dept of local government and housing	6 983	3 276	1 577	11 836
Other government departments	230 852	16 833	568	248 253
	4 188 411	151 179	15 752	4 355 342

Consumer debtors past due but not impaired

Consumer debtors which are more than 30 days past due but not impaired. At 30 June 2019, R 6 713 380 (2018: R 7 170 460) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2019	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Electricity	429 510	100 721	63 293	206 123	139 000	938 647
Water	557 643	308 579	225 389	1 375 192	884 864	3 351 667
Sewerage	172 159	115 625	63 333	258 502	307 537	917 156
Refuse	124 433	68 557	52 974	237 042	309 063	792 069
Housing rental	29 621	18 130	277 371	72 463	93 533	491 118
Sundry	35 012	27 577	23 419	56 661	80 054	222 723
	1 348 378	639 189	705 779	2 205 983	1 814 051	6 713 380
2018	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Electricity	434 154	58 821	90 800	348 568	101 333	1 033 676
Water	487 725	293 340	299 621	1 373 384	867 573	3 321 643
Sewerage	166 577	118 803	58 289	274 065	345 519	963 253
Refuse	115 262	66 230	49 585	273 174	352 413	856 664
Housing rental	68 947	64 615	172 982	201 983	188 755	697 282
Sundry	47 642	39 575	22 876	80 021	107 828	297 942
	1 320 307	641 384	694 153	2 551 195	1 963 421	7 170 460

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Receivables from non-exchange transactions		
Capital receivables represent funding that Council is awaiting from external institutions for capital expenditure incurred and claimed, but not yet received at year-end.		
The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.		
Gross balances		
Capital receivables	15 297 872	4 434 340
Fines	178 242 746	175 675 416
Property rates	39 148 816	37 123 078
Other receivables	808 210	4 960 800
	233 497 644	222 193 634
Less: Allowance for impairment		
Fines	(142 321 642)	(141 524 917)
Property rates	(25 209 343)	(22 731 231)
	(167 530 985)	(164 256 148)
Net balances		
Capital receivables	15 297 872	4 434 340
Fines	35 921 104	34 150 499
Property rates	13 939 473	14 391 847
Other receivables	808 210	4 960 800
	65 966 659	57 937 486
Fines		
Current (0 -30 days)	16 915 892	16 672 243
31 - 60 days	12 135 462	11 960 668
61 - 90 days	11 927 257	11 755 462
91 - 120 days	8 029 964	7 914 304
121 - 365 days	61 530 102	60 643 850
> 365 days	67 704 069	66 728 889
	178 242 746	175 675 416
Capital receivables		
Current (0 -30 days)	12 119 045	695 512
> 365 days	3 178 827	3 738 828
	15 297 872	4 434 340
Property rates		
Current (0 -30 days)	16 047 171	16 962 930
31 - 60 days	978 421	699 286
61 - 90 days	535 796	599 738
91 - 120 days	539 047	632 848
121 - 365 days	5 178 110	4 636 112
> 365 days	15 870 271	13 592 164
	39 148 816	37 123 078
Other receivables from non-exchange revenue		
Current (0 -30 days)	56 000	4 960 800
> 365 days	752 210	-
	808 210	4 960 800

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2019 2018

6. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment for receivables from non-exchange transactions

Opening balance	(164 256 148)	(93 254 981)
Reversals to allowance	-	359 561
Contribution to allowance	(3 274 837)	(71 360 728)
	(167 530 985)	(164 256 148)

The Council regards receivables from non-exchange transactions to be due for outstanding amounts more than 30 days to be past due.

As at 30 June 2019, consumer debtors of R 1 764 383 (2018: R2 000 976) were past due but not impaired

The comparative figures were restated. Refer to note 63.3

2019	31-60 days	61-90 days	91-120	121-365 days	>365 days	Total
Property rates	434 142	165 413	132 038	576 796	455 994	1 764 383
2018	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Property rates	460 241	239 409	158 142	560 209	582 975	2 000 976

7. Other receivables from exchange transactions

Prepayments	5 879 933	3 741 658
Deposits	1 182 720	1 006 508
Public safety account	949 296	949 296
Special rating area debtor	337 827	239 221
Other receivable	1 350 935	170 839
Parking debtor	455 256	101 516
	10 155 967	6 209 038

8. Inventories

Consumable stores	6 586 601	1 764 495
Maintenance materials	29 561 982	21 947 921
Water for distribution	1 896 630	2 766 318
Unsold Properties Held for Resale	14 262 729	15 204 047
Fuel (Diesel, Petrol)	-	7 531
	52 307 942	41 690 312

Inventories recognised as an expense during the year	25 087 435	21 430 939
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The amount of inventory reversed/ (written down) is R4 061 381 (2018: R (643 179)) and is recognised as an expense and a reduction in the carrying value of inventories. The circumstances relating to the write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

No inventories were pledged as securities.

The comparative amounts were restated. Refer to note 63.4

9. VAT receivable

VAT	47 420 470	54 272 329
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The comparative amounts were restated. Refer to note 63.5

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	422 899 301	(27 052 477)	395 846 824	422 899 301	(27 052 477)	395 846 824
Machinery and equipment	57 972 643	(17 742 308)	40 230 335	76 361 381	(36 024 747)	40 336 634
Furniture and office equipment	40 447 652	(25 088 163)	15 359 489	36 248 003	(21 702 478)	14 545 525
Transport assets	123 061 480	(46 288 647)	76 772 833	116 404 208	(38 014 823)	78 389 385
Computer equipment	43 245 260	(22 060 276)	21 184 984	40 203 183	(18 514 987)	21 688 196
Community assets	90 030 057	(11 555 441)	78 474 616	78 606 898	(9 237 398)	69 369 500
Other property, plant and equipment	490 842 026	(69 071 872)	421 770 154	404 744 253	(60 239 380)	344 504 873
Capital restoration asset	11 141 169	331 285	11 472 454	14 821 186	(13 918 720)	902 466
Electrical infrastructure	1 294 210 443	(342 728 135)	951 482 308	1 207 567 025	(307 615 522)	899 951 503
Water supply infrastructure	1 670 817 950	(343 135 377)	1 327 682 573	1 610 857 489	(305 259 523)	1 305 597 966
Solid waste infrastructure	59 142 309	(28 608 563)	30 533 746	43 592 807	(11 811 837)	31 780 970
Roads infrastructure	1 094 827 510	(344 158 581)	750 668 929	1 020 648 641	(300 192 665)	720 455 976
Information and communication infrastructure	3 210 627	(1 860 443)	1 350 184	2 312 645	(1 596 692)	715 953
Wastewater network	1 030 699 083	(113 277 428)	917 421 655	911 472 694	(101 139 621)	810 333 073
Stormwater infrastructure	62 687 324	(45 877 343)	16 809 981	60 871 681	(44 684 679)	16 187 002
Total	6 495 234 834	(1 438 173 769)	5 057 061 065	6 047 611 395	(1 297 005 549)	4 750 605 846

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	395 846 824	-	-	-	-	395 846 824
Machinery and equipment	40 336 634	9 171 765	(1 546 065)	(7 731 999)	-	40 230 335
Furniture and office equipment	14 545 525	5 871 834	(597 600)	(4 460 270)	-	15 359 489
Transport assets	78 389 385	11 615 258	(2 482 307)	(9 260 221)	(1 489 282)	76 772 833
Computer equipment	21 688 196	7 801 311	(1 182 552)	(7 121 971)	-	21 184 984
Community assets	69 369 500	11 645 620	(36 222)	(2 504 282)	-	78 474 616
Other property, plant and equipment	344 504 873	87 218 130	(1 022 318)	(8 930 531)	-	421 770 154
Capital restoration asset	902 466	11 141 169	-	(571 181)	-	11 472 454
Electrical infrastructure	899 951 503	86 468 273	-	(34 937 468)	-	951 482 308
Water supply infrastructure	1 305 597 966	59 960 926	(465)	(37 689 912)	(185 942)	1 327 682 573
Solid waste infrastructure	31 780 970	728 316	-	(1 975 540)	-	30 533 746
Roads infrastructure	720 455 976	74 178 869	-	(43 965 916)	-	750 668 929
Information and communication infrastructure	715 953	907 873	(9 891)	(263 751)	-	1 350 184
Wastewater network	810 333 073	119 400 732	(151 229)	(12 130 233)	(30 688)	917 421 655
Stormwater infrastructure	16 187 002	1 815 643	-	(1 192 664)	-	16 809 981
	4 750 605 846	487 925 719	(7 028 649)	(172 735 939)	(1 705 912)	5 057 061 065

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	395 846 824	-	-	-	-	395 846 824
Machinery and equipment	39 491 913	3 505 939	(125 586)	(2 535 632)	-	40 336 634
Furniture and office equipment	9 640 842	6 978 786	(60 998)	(2 013 105)	-	14 545 525
Transport assets	68 558 391	17 846 755	(354 628)	(7 661 133)	-	78 389 385
Computer equipment	21 050 095	4 922 244	(53 025)	(4 231 118)	-	21 688 196
Community assets	36 904 158	41 980 771	-	(3 447 565)	(6 067 864)	69 369 500
Other property, plant and equipment	343 195 875	12 297 098	(68 242)	(10 919 858)	-	344 504 873
Capital restoration asset	3 910 688	-	-	(3 008 222)	-	902 466
Electrical infrastructure	876 722 056	44 390 803	-	(21 161 356)	-	899 951 503
Water supply infrastructure	1 196 708 026	144 718 690	-	(35 498 277)	(330 473)	1 305 597 966
Solid waste infrastructure	32 794 539	-	-	(1 013 569)	-	31 780 970
Roads infrastructure	696 230 127	74 853 232	-	(50 627 383)	-	720 455 976
Information and communication infrastructure	715 953	-	-	-	-	715 953
Wastewater network	741 750 473	80 703 509	-	(12 120 909)	-	810 333 073
Stormwater infrastructure	16 634 159	762 905	-	(1 210 062)	-	16 187 002
	4 480 154 119	432 960 732	(662 479)	(155 448 189)	(6 398 337)	4 750 605 846

Notes to the Annual Financial Statements**10. Property, plant and equipment (continued)****Work in progress**

Community assets	26 523 244	35 975 603
Computer equipment	-	787
Electrical Infrastructure	141 502 726	97 657 612
Furniture and office equipment	217 315	-
Roads Infrastructure	86 823 968	60 673 094
Storm water infrastructure	1 597 688	762 905
Solid waste infrastructure	4 138 445	1 534 213
Sanitation infrastructure	624 103 843	505 623 704
Water infrastructure	272 132 716	210 302 265
Libraries	-	7 172 757
Machinery and equipment	744 489	1 831 428
Other property, plant and equipment	88 310 921	4 524 766
	-	-
	1 246 095 355	926 059 134

Expenditure incurred to repair and maintain property, plant and equipment**Expenditure incurred to repair and maintain property, plant and equipment included included in Statement of Financial Performance**

Community assets	6 409 076	47 615
Electrical infrastructure	7 790 204	7 510 215
Furniture and office equipment	10 066 464	5 037 593
Other property, plant and equipment	6 737 392	9 704 507
Roads infrastructure	3 862 340	5 509 778
Sanitation infrastructure	5 186 700	6 219 768
Solid waste infrastructure	530 467	766 742
Storm water infrastructure	4 621 149	160 738
Transport infrastructure	9 630 001	6 883 217
Water supply infrastructure	6 089 595	1 215 475
	60 923 388	43 055 648

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The comparative amounts were restated. Refer to note 63.6

Notes to the Annual Financial Statements

11. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	437 893 410	(17 116 236)	420 777 174	437 893 410	(16 745 708)	421 147 702

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	421 147 702	(370 528)	420 777 174

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	421 518 236	(370 534)	421 147 702

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The comparative amounts were restated. Refer to note 63.8

12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	27 346 543	(20 811 583)	6 534 960	21 968 573	(18 959 240)	3 009 333

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 009 333	5 377 971	(1 852 344)	6 534 960

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	4 075 755	664 395	(1 730 817)	3 009 333

The comparative amounts were restated. Refer to note 63.7

Notes to the Annual Financial Statements

13. Biological assets that form part of an agricultural activity

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	6 321 448	-	6 321 448	6 321 448	-	6 321 448

Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Total
Trees in timber plantation - Consumable	6 321 448	6 321 448

Reconciliation of biological assets that form part of an agricultural activity - 2018

	Opening balance	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Trees in timber plantation - Consumable	8 808 121	(317 559)	(2 169 114)	6 321 448

14. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	143 945	-	143 945	143 945	-	143 945
Historical monuments	630 057	-	630 057	630 057	-	630 057
Total	774 002	-	774 002	774 002	-	774 002

Reconciliation of heritage assets 2019

	Opening balance	Total
Collections of rare books, manuscripts and records	143 945	143 945
Historical monuments	630 057	630 057
	774 002	774 002

Reconciliation of heritage assets 2018

	Opening balance	Additions	Total
Collections of rare books, manuscripts and records	143 945	-	143 945
Historical monuments	580 057	50 000	630 057
	724 002	50 000	774 002

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
14. Heritage assets (continued)		
Heritage assets used for more than one purpose		
A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:		
The following heritage assets are used by the municipality for more than one purpose		
Neethlingshuis and De Withuis	67 350 000	64 486 222
58 - 60 Andringa Street	2 000 000	1 919 137
35B Mark Street	3 250 000	3 176 414
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	13 050 000	12 803 367
116 - 118 Dorp Street, Voorgelegen - offices	5 800 000	5 638 273
4 Reservoir West, Mooiwater	2 170 000	2 105 309
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8 550 000	8 303 367
PMU Building, Alexander Street, Burger Huis	1 650 000	1 597 439
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	64 350 000	62 808 743
Die Laan, Landbou Saal	5 950 000	4 370 417
	174 120 000	167 208 688
15. Long term receivables		
At amortised cost		
Other financial assets	4 464 106	3 530 877
Officials: Erven loans	116	5 415
Farmers: Water Schemes	191 736	222 373
	4 655 958	3 758 665
Non-current assets		
At amortised cost	3 024 999	2 158 458
Current assets		
At amortised cost	1 630 959	1 600 207
16. Consumer deposits		
Electricity	10 374 233	9 506 421
Water	6 005 431	5 645 034
Housing rental	698 248	522 470
	17 077 912	15 673 925
17. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Salary Control	5 458 796	4 267 370
Leave gratuity	26 391 625	23 351 369
Bonus accrual	11 918 177	11 084 938
Post employment medical aid benefit	187 508 063	198 749 140
Long service awards	26 153 883	29 621 886
Net liability	257 430 544	267 074 703

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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17. Employee benefit obligations (continued)

Non-current liabilities	201 830 792	217 470 757
Current liabilities	55 599 752	49 603 946
	257 430 544	267 074 703

17.1 Post- retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2019 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The members of the post-employment health care benefit plan are made up as follows:

In-service members (Employees)	653	620
Continuation members (Retirees, widow(ers) and orphans)	171	168
Total members	824	788

The liability in respect of past service has been estimated as follows:

In-service members	74 392 000	103 840 969
Continuation members	113 116 000	94 908 170
Total liability	187 508 000	198 749 139

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rates of Interest

Discount rate	9.33 %	9.54 %
Health care cost inflation rate	6.79 %	7.34 %
Net effective discount rate	2.38 %	2.05 %

ii) Normal retirement age

Expected retirement age - females	63	63
Expected retirement age - males	63	63

The PA (90) ultimate mortality table was used by the actuaries
Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	198 749 139	201 981 567
Current service costs	7 945 828	8 631 985
Interest cost	18 580 276	19 029 154
Actual employee benefits payments	(8 231 483)	(7 574 537)
Actuarial (losses) / gains	(29 535 697)	(23 319 030)
Present Value of Fund Obligation at the end of the Year	187 508 063	198 749 139
Current liability	8 723 730	8 160 542

Stellenbosch Municipality

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Notes to the Annual Financial Statements

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17. Employee benefit obligations (continued)

The amounts recognised in the Statement of Financial Position are as follows

Net Liability	187 508 063	198 749 139
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	7 945 828	8 631 985
Interest cost	18 580 276	19 029 154
Actuarial (gain)/ loss recognised in profit and loss	(29 535 697)	(23 319 030)
	(3 009 593)	4 342 109

Amounts for the current and previous four periods are as follows:

Present value of unfunded defined benefit

2019	187 508 063
2018	198 749 139
2017	201 981 567
2016	209 611 270
2015	192 290 959

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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17. Employee benefit obligations (continued)

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		74.392	113.116	187.508	
Health care inflation	1 % (1)%	90.748 61.611	125.399 102.654	216.148 164.264	15 % (12)%
Discount rate	1 % (1)%	61.975 90.486	102.965 125.210	164.940 215.696	(12)% 15 %
Post-retirement mortality	-1 year	76.522	117.071	193.593	3 %
Average retirement age	-1 year	80.263	113.116	193.379	3 %
Continuation of membership at retirement	(10)%	65.331	113.116	178.447	(5)%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest cost	Total	% change
Central assumptions		7 945 800	18 580 300	26 526 100	
Health care inflation	1 % (1)%	9 955 100 6 404 400	21 614 700 16 121 900	31 569 800 22 526 300	20 % (16)%
Discount rate	1 % (1)%	6 502 400 9 839 200	17 882 000 19 316 400	24 384 400 29 155 600	(8)% 10 %
Post-retirement mortality	-1 year	8 198 200	19 239 900	27 438 100	3 %
Average retirement age	-1 year	8 218 000	19 452 500	27 670 500	4 %
Continuation of membership at retirement	(10)%	7 223 600	17 658 200	24 881 800	(6)%

Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2019.

The municipality expects to make a contribution of R13 821 112 to the Defined Benefit Plan during the next financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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17. Employee benefit obligations (continued)

17.2 Long Service Awards

Total Liability

Opening balance	29 621 885	28 469 818
Additions	4 845 730	4 722 112
Utilised during the year	(2 436 254)	(1 993 489)
Actuarial (gains) losses	(5 877 479)	(1 576 556)
	26 153 882	29 621 885

Current Liability

3 107 424	2 739 727
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Movement in the present value of Long Service Awards were as follows:

Opening balance	29 621 885	28 469 818
Current service cost	2 388 150	2 362 635
Interest cost	2 457 580	2 359 477
Actuarial (gains) losses	(5 877 479)	(1 576 556)
Benefits paid	(2 436 254)	(1 993 489)
Total included in employee related costs	26 153 882	29 621 885

The amount recognised in the Statement of Financial Position are as follows:

Present value of long service awards	26 153 882	29 621 885
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The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2 388 150	2 362 635
Interest cost	2 457 580	2 359 477
Actuarial gains (losses)	(5 877 479)	(1 576 556)
Closing balance	(1 031 749)	3 145 556

Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.18 %	8.69 %
General salary inflation	5.57 %	6.26 %
Net effective discount rate	2.47 %	2.29 %

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Accrued liabilities	26 153 882	29 621 885	28 469 818	27 719 640	25 716 595

Sensitivity analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		26.154	
General salary inflation	1 % (1)%	27.913 24.568	7 % (6)%
Discount rate	1 % (1)%	24.512 28.008	(6)% 7 %
Average retirement age	- 2 years + 2 years	21.979 29.414	(16)% 12 %
Withdrawal rates	(50)%	29.649	13 %

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		2 388 200	2 457 600	4 845 800	
General salary inflation	1 % (1)%	2 627 300 2 178 600	2 655 100 2 281 200	5 282 400 4 459 800	9 % (8)%
Discount rate	1 % (1)%	2 194 600 2 612 100	2 538 300 2 357 600	4 732 900 4 969 700	(2)% 3 %
Average retirement age	-2 years 2 years	2 111 800 2 668 700	2 131 800 2 801 700	4 242 600 5 470 400	(12)% 13 %
Withdrawal rates	(50)%	2 721 500	2 639 800	5 361 300	11 %

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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18. Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	1 079 160	1 439 270
Operating lease expenses recorded	2 609 655	8 345 680
Operating lease revenue realised	(241 120)	(723 360)
Operating lease payments effected	(2 476 616)	(7 982 430)
	971 079	1 079 160

Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:

Up to 1 year	1 908 696	6 509 708
2 to 5 years	-	1 746 814
	1 908 696	8 256 522

The following payments have been recognised as an expense in the Statement of Financial Performance:

Total operating lease expenses

Lease rentals on operating lease	2 933 062	8 085 133
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The following amounts have been recognised as revenue in the Statement of Financial Performance:

Total operating lease income

Minimum lease income	(241 120)	(723 360)
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No restrictions have been imposed on the municipality in terms of the operating lease agreements.

19. Other financial liabilities

At amortised cost

Other financial liability	318 800 147	173 302 138
Terms and conditions		

Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.

The municipality entered into a loan agreement with Nedbank limited during the financial year under review for a period of 10 years at a fixed interest rate of 9.7%.

Non-current liabilities

At amortised cost	292 930 440	158 800 148
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
19. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	25 869 707	14 501 990

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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20. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Current Portion	Total
Environmental rehabilitation	79 165 186	22 536 381	642 909	102 344 476

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	77 875 472	1 289 714	-	79 165 186
Alien vegetation	293 672	-	(293 672)	-
	78 169 144	1 289 714	(293 672)	79 165 186

Non-current liabilities	101 701 567	79 165 186
Current liabilities	642 909	-
	102 344 476	79 165 186

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R107 652 351 (2018: R79 165 186) to restore the site at the end of its useful life, estimated to be in the 2019/2020 financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

The unwinding of the provision for landfill site for the current year was R6 174 066 (2018: R0) was included in the finance cost in the statement of financial performance.

The municipality expects an expenditure outflow of R 642 909 in the 2019/2020 financial year. No expenditure was incurred for the year under review.

Cells 1 and 2 have reached full capacity and must be rehabilitated. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2019

Key cost parameters:

- Estimated post closure rehabilitation time 3 years
- Inflation rate 5.3% (2018: 4.83%)
- Discount rate at the weighted average cost of capital 7.58% (2018: 7.80%)

Clearing of alien vegetation

The provision for clearing of alien vegetation relates to the estimated cost for the clearing of alien vegetation from the areas under the jurisdiction of the municipality

In terms of the Conservation of Agricultural Resources Act, (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that existed. The municipality eradicated the back-log

The clearing of alien vegetation as an on-going operational expense and is included in the operational budget.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
21. Payables from exchange transactions		
Trade and other payables	175 368 586	163 930 429
Charitable trust and donations	112 334	22 275
Collection fees	151 389	151 389
Deposit sale of land	1 297 302	1 297 302
Don and Pat Bilton	256 056	256 056
Ex gratia pension fund (BDM)	123 541	123 541
Grouplife	2 423 664	2 423 664
Housing beneficiary contribution	115 787	115 787
Impounded vehicles	29 100	181 925
Libraries	59 815	71 134
Other creditors	19 155 016	12 926 543
Payments received in advance	12 926 302	9 822 295
Prepaid electricity	8 383 071	5 471 811
Retention	46 838 439	45 094 506
Sundry deposits	1 780 617	1 427 213
	269 021 019	243 315 870

The comparative figures were restated. Refer to note 63.9.

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Developers contribution - refuse	1 857 506	1 583 226
Developers contribution - La clemence	1 170 940	1 170 940
Developers contribution - electricity	28 605 745	22 447 913
Developers contribution - general	1 611 569	1 038 188
Developers contribution - open areas	165 928	165 928
Developers contribution - parking	1 511 442	1 511 442
Developers contribution - roads	24 566 396	20 885 715
Developers contribution - sewerage	12 735 060	11 852 704
Developers contribution - stormwater	3 430 964	3 241 213
Developers contribution - water	11 189 204	9 963 073
Development of sport and recreational facilities	67 669	67 669
Fransdevco development rights	3 347 553	3 347 553
Franschhoek low cost housing (phase 2)	301 300	301 300
Housing consumer education	68 010	68 010
Human settlement development grant - capital	45 164 098	15 093 045
Human settlement development grant - operational	5 642 999	5 392 294
National lottery	1 032 768	1 032 768
Other sources	288 184	288 184
Shared Economic Infrastructure Facility Grant	1 953 031	467 884
Fire Services Capacity Building Grant	3 003 000	-
Western Cape Local Government Internship and capacity building grant	520 590	405 031
	148 233 956	100 324 080

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 32 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

The comparative amounts were restated. Refer to note 63.10

Stellenbosch Municipality

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Notes to the Annual Financial Statements

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23. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2019

	Capital replacement reserve	Self insurance reserve	Housing development fund	Accumulated surplus	Total
Opening balance	38 691 498	9 885 492	(9 396 229)	5 123 411 216	5 162 591 977
Surplus for the year	-	-	-	124 561 617	124 561 617
Transfer to capital replacement reserve	297 467 204	-	-	(297 467 204)	-
Property, plant and equipment purchases	(266 154 970)	-	-	266 154 970	-
	70 003 732	9 885 492	(9 396 229)	5 216 660 599	5 287 153 594

Ring-fenced internal funds and reserves within accumulated surplus - 2018

	Capital replacement reserve	Self insurance reserve	Housing development fund	Accumulated surplus	Total
Opening balance	97 039 241	9 885 492	(9 396 229)	4 819 287 807	4 916 816 311
Surplus for the year	-	-	-	245 775 656	245 775 656
Transfer to capital replacement reserve	294 176 141	-	-	(294 176 141)	-
Property, plant and equipment purchases	(352 523 884)	-	-	352 523 884	-
	38 691 498	9 885 492	(9 396 229)	5 123 411 206	5 162 591 967

The capital replacement reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The self insurance reserve is used to offset potential losses or claims of assets that cannot be insured externally.

The housing development fund is depleted. There is no cash or surplus generated from the fund. Therefore any additional cost must be carried by the municipality as part of its operations.

Refer to statement of changes in net assets for more detail and the movement on accumulated surplus.

24. Service charges

Sale of electricity	531 494 348	523 067 966
Sale of water	147 275 947	197 306 311
Solid waste	55 127 852	50 008 048
Sewerage and sanitation charges	83 861 916	91 619 120
	817 760 063	862 001 445

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. Rental of facilities and equipment

Premises

Rental Revenue from other facilities	4 033 584	1 707 946
Rental Revenue from buildings	134 805	138 598
Rental revenue from housing schemes	7 652 197	8 327 704
	11 820 586	10 174 248

Facilities and equipment

Rental Revenue from Land	2 703 750	4 818 003
	14 524 336	14 992 251

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

26. Interest earned- outstanding receivables

Sundry	147	9 466
Electricity	796 089	582 366
Water	4 768 050	4 271 764
Waste water management	1 407 150	990 380
Waste management	1 053 445	994 621
	8 024 881	6 848 597

27. Agency services

Vehicle Registration	2 833 175	2 521 016
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The municipality collects licence fees on behalf of the provincial government western cape and receives a 12% agency fee.

28. Licences and permits (exchange)

Licences and permits	6 610 962	6 757 407
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29. Other income

Application fees	550 857	1 451 815
Building clause	176 674	253 433
Building plan fees	6 569 688	6 681 831
Cemetery and burial	859 210	849 105
Clearance certificates	348 522	319 228
Collection fees	1 220 121	1 549 848
Entrance fees	380 480	550 211
Flamable substance	352 862	466 291
Insurance	-	115 623
Merchandising, jobbing and contracts	2 714 189	2 561 251
Parking revenue	5 111 074	3 691 382
Removal of restrictions	798 036	172 074
Skills development levy	800 235	1 269 193
Special rating area	5 365 090	4 637 940
Staff recoveries	562 661	524 809
Sundry	895 622	31 310
	26 705 321	25 125 344

The amounts disclosed above are in respect of services, other than described in notes 24 and 25 rendered which are billed to or paid for by users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e wood sales.

The comparative amounts were restated. Refer to note 63.14.

30. Investment revenue

Interest revenue

Bank	6 216 908	4 537 989
Investment deposits	38 054 919	50 571 642
	44 271 827	55 109 631

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31. Property rates

Rates received

Residential	160 102 576	167 104 669
Commercial	151 667 440	123 236 395
Agricultural	21 187 884	19 647 722
	332 957 900	309 988 786

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect on 1 July 2017. With reference to S78 of the Municipal Property Rates Act four reviews have been finalised and one interim valuation was performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2019:

R 0.010493 - Non Residential (2018: R 0.018048)

R 0.004770 - Residential (2018: R 0.004512)

R 0.001193 - Agricultural (2018: R 0.001128)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

Relief measures

The relief measures on property rates are generally described in paragraph 8 of the approved Rates Policy of the municipality. This includes the specific under mentioned relief measures:

Rebate and gross monthly household income for Qualifying senior citizens and Disabled persons

Gross monthly household income	% Rebate
Up to R8 000	100%
From R8 001 to R 10 000	75%
From R10 001 to R12 000	50%
From R12 001 to R15 000	25%

Municipal valuation threshold value

On qualifying residential properties, up to a maximum value of R200 000, which amount includes the R15 000 as per Section 17(1)(h) of the MPRA and the R185 000 reduction granted as per paragraph 8.2.1(ii) of the approved Rates policy. Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000.

Stellenbosch special rebate

A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates policy of the municipality.

Other rebates

Rebates have also been granted to qualifying non-profit organisations and to organisations who qualified for the rebate as defined in paragraph 8.11 of the approved Rates policy. Any other exclusions or exemptions have been granted in accordance with the Local Government Property Rates Act.

Stellenbosch Municipality

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32. Government grants and subsidies

Operating grants

Equitable share	124 176 000	110 631 000
Arbor city award	-	300 000
Financial management grant	1 550 000	1 550 000
Capacity building	151 410	-
Community development workers	56 000	56 000
Provincial government Provincial Housing Projects top structures	1 454 546	4 929 421
Library services support grant	12 210 000	11 045 000
Financial management capacity building grant	-	14 969
Expanded Public Workers Program support grant	5 722 000	4 820 000
LG Financial management support grant	255 000	255 000
Natural Resources Management Grant	406 469	-
	145 981 425	133 601 390

Capital grants

Municipal infrastructure grant	35 107 000	36 358 000
Integrated national electrification grant	5 000 000	4 000 000
Energy efficiency and demand side management grant	-	7 236 000
Maintenance and construction of transport	971 000	2 176 000
Shared economic infrastructure facility	3 561 097	1 053 473
Human settlement development grant	43 513 977	20 587 782
Integrated Transport Planning Grant	-	1 433 152
Library support grant	-	3 714 395
Fire services capacity building grant	-	800 000
Donated assets	-	229 596
	88 153 074	77 588 398
	234 134 499	211 189 788

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	109 958 499	100 558 788
Unconditional grants received	124 176 000	110 631 000
	234 134 499	211 189 788

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services.

Developers contributions- Sewerage

Balance unspent at beginning of year	11 852 704	6 671 199
Current-year receipts	882 356	5 214 597
Conditions met - transferred to revenue	-	(33 092)
	12 735 060	11 852 704

Developer contributions are received in respect of the additional impact that their development will have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

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32. Government grants and subsidies (continued)

Developers contributions- Roads

Balance unspent at beginning of year	20 885 715	7 469 667
Current-year receipts	3 680 681	13 416 048
	24 566 396	20 885 715

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Electricity

Balance unspent at beginning of year	22 447 913	15 915 173
Current-year receipts	6 157 832	6 532 740
	28 605 745	22 447 913

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Water

Balance unspent at beginning of year	9 963 073	4 675 957
Current-year receipts	1 226 131	5 344 310
Conditions met - transferred to revenue	-	(57 194)
	11 189 204	9 963 073

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Open areas

Balance unspent at beginning of year	165 928	165 928
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- Parking

Balance unspent at beginning of year	1 511 442	1 511 442
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Developers contributions- General

Balance unspent at beginning of year	1 038 188	117 753
Current-year receipts	573 381	920 435
	1 611 569	1 038 188

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

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32. Government grants and subsidies (continued)

Developers contributions- La Clemence

Balance unspent at beginning of year	1 170 940	1 170 940
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Frantevco development

Balance unspent at beginning of year	3 347 553	3 347 553
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

FHK Low cost housing

Balance unspent at beginning of year	301 300	301 300
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Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 22.

Financial Management Grant

Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 550 000)	(1 550 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

All condition have been met.

Developers contributions- Refuse

Balance unspent at beginning of year	1 583 226	705 093
Current-year receipts	274 280	878 133
	1 857 506	1 583 226

Conditions still to be met - remain liabilities (see note 22).

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed.

Developers contributions- Stormwater

Balance unspent at beginning of year	3 241 213	1 976 853
Current-year receipts	189 751	1 264 360
	3 430 964	3 241 213

Conditions still to be met - remain liabilities (see note 22).

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed.

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32. Government grants and subsidies (continued)

Integrated National Electrification Programme Grant

Current-year receipts	5 000 000	4 000 000
Conditions met - transferred to revenue	(5 000 000)	(4 000 000)
	-	-

All conditions have been met.

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Municipal Infrastructure Grant

Current-year receipts	35 107 000	36 358 000
Conditions met - transferred to revenue	(35 107 000)	(36 358 000)
	-	-

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities

Expanded Public Works Programme

Current-year receipts	5 722 000	4 820 000
Conditions met - transferred to revenue	(5 722 000)	(4 820 000)
	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods.

Top structures

Balance unspent at beginning of year	5 392 294	7 471 715
Current-year receipts	-	2 850 000
Conditions met - transferred to revenue	250 705	(4 929 421)
	5 642 999	5 392 294

Conditions still to be met - remain liabilities (see note 22).

To provide funding for the creation of sustainable human settlements

Lotto

Balance unspent at beginning of year	1 032 768	1 032 768
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Conditions still to be met - remain liabilities (see note 22).

Stellenbosch Municipality

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32. Government grants and subsidies (continued)

Western Cape Local Government Internship grant and capacity building grant

Balance unspent at beginning of year	405 031	180 000
Current-year receipts	432 000	240 000
Conditions met - transferred to revenue	(151 410)	(14 969)
Reimbursement	(165 031)	-
	520 590	405 031

Conditions still to be met - remain liabilities (see note 22) Financial Management Capacity Building Grant: Stellenbosch Municipality advertised the bursaries as part of their Annual Mayoral Bursary to save advertisement cost in the 2016/2017 financial year. Unfortunately, the response was very poor and we could not find any applications that met the requirements. Consequently, we contacted various Universities during the 2016/2017 and 2017/2018 financial years to obtain CV's of students studying in the designated areas as specified in the circular. After 3 attempts, we obtained 6 CV's of students, 5 of which reside outside the municipal area. The challenge however was that the applicants did not meet all of the required minimum criteria and deviating from the conditions of the grant is not permissible. Stellenbosch municipality could not obtain a list of students from the faculties at the tertiary institutions and placed reliance on the administration officers to indicate possible candidates for the bursaries. A total of R139 410.30 was paid during the 2018/19 financial year which relates to the roll over of 2017/18. R100 589.70 will be repaid as it relates to a roll over of 2017/18. The R360 000 will be spent during the 2019/20 financial year.

The student commenced employment on 1 May 2019 in terms of the Municipal Graduate Internship Programme Grant.

To provide financial assistance to municipalities in support of capacity building for the future by means of a graduate internship programme

To develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

Libraries support grant

Balance unspent at beginning of year	-	1 714 395
Current-year receipts	12 210 000	2 000 000
Conditions met - transferred to revenue	(12 210 000)	(3 714 395)
	-	-

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Non motorised Public Transport Infrastructure/Integrated Transport Planning/Fire Services Capacity Building

Balance unspent at beginning of year	-	13 152
Current-year receipts	971 000	2 220 000
Conditions met - transferred to revenue	(971 000)	(2 233 152)
	-	-

To provide Non-Motorised Transport (NMT) infrastructure in both the Municipality of Stellenbosch and the Municipality of Overstrand as part of the Provincial Sustainable Transport Programme (Formerly Provincial Public Transport Institutional Framework)

Housing consumer education

Balance unspent at beginning of year	68 010	68 010
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Conditions still to be met - remain liabilities (see note 22).

Stellenbosch Municipality

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32. Government grants and subsidies (continued)

Community development support grant

Current-year receipts	56 000	56 000
Conditions met - transferred to revenue	(56 000)	(56 000)
	-	-

To provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators

Fire services capacity building grant

Current-year receipts	3 003 000	-
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Conditions still to be met - remain liabilities (see note 22). The grant has been fully committed by 30 June 2019. The specialized vehicle was handed over to the Municipality on 26 July 2019. Payment was done on 14 August 2019.

To provide financial assistance to municipalities to ensure functional emergency communication, mobilisation systems and fire services.

The comparative amounts were restated. Refer to note 63.15

33. Fines, Penalties and Forfeits

Municipal Traffic Fines	117 772 670	112 832 375
Other fines	273 462	1 934 793
	118 046 132	114 767 168

34. Employee related costs

Acting allowances	1 019 414	967 432
Bargaining council	(149 212)	232 347
Basic	301 079 036	291 071 777
Bonus	21 211 131	19 663 049
Car allowance	9 780 788	9 918 888
Cellphone allowance	1 341 747	943 753
Entertainment	4 933	4 390
Group insurance	3 116 552	2 932 195
Housing benefits and allowances	2 853 349	2 232 675
Medical aid - company contributions	21 652 139	20 026 902
Overtime payments	31 607 382	29 350 333
Pension fund contribution	45 558 717	42 330 716
Performance bonus	590 923	322 731
Standby allowance	12 480 849	11 362 213
Sundry allowance	4 607 808	3 657 882
Travel, motor car, accommodation, subsistence and other allowances	719 369	1 028 973
UIF	2 175 228	2 314 318
Workmen compensation	1 463 977	2 934 237
	461 114 130	441 294 811

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34. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	1 393 726	1 367 733
Car Allowance	123 762	130 580
Performance Bonuses	244 629	90 750
Contributions to UIF, Medical and Pension Funds	334 363	330 713
	2 119 280	1 942 576
Remuneration of Chief Financial Officer		
Annual Remuneration	950 700	1 489 418
Car Allowance	117 860	128 479
Contributions to UIF, Medical and Pension Funds	50 948	28 317
Leave	136 205	-
Telephone allowance	7 600	22 800
Other	3 000	-
	1 266 313	1 669 014
Acting allowance paid to acting Chief Financial Officer	19 424	-
Remuneration of the Director Planning and Development		
Annual Remuneration	1 029 334	992 155
Car Allowance	128 974	125 884
Performance Bonuses	118 569	62 202
Contributions to UIF, Medical and Pension Funds	246 716	233 630
Telephone allowance	22 800	22 800
	1 546 393	1 436 671
Remuneration of the Director Community & Protection Services		
Annual Remuneration	868 611	983 232
Car Allowance	65 000	135 224
Performance Bonuses	-	62 202
Contributions to UIF, Medical and Pension Funds	97 563	210 884
Telephone allowance	13 300	22 800
	1 044 474	1 414 342
Acting allowance paid to acting Director(s) Community and Protection Services	13 227	-
Remuneration of the Director Infrastructure Services		
Annual Remuneration	1 254 593	1 186 131
Car Allowance	265 652	120 000
Performance Bonuses	144 918	-
Contributions to UIF, Medical and Pension Funds	24 066	21 127
Telephone allowance	22 800	22 800
	1 712 029	1 350 058

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34. Employee related costs (continued)

Remuneration of the Director Corporate Services

Annual Remuneration	1 235 507	1 163 279
Car Allowance	139 200	139 200
Performance Bonuses	65 872	-
Contributions to UIF, Medical and Pension Funds	24 653	24 733
Telephone allowance	22 800	22 800
	1 488 032	1 350 012

Remuneration of the Director Planning & Economic Development

Annual Remuneration	1 029 334	1 048 276
Car Allowance	128 974	127 112
Performance Bonuses	118 569	-
Contributions to UIF, Medical and Pension Funds	246 716	20 618
Telephone allowance	22 800	19 000
	1 546 393	1 215 006

Acting allowance paid to acting Director Planning and Economic Development	17 239	29 723
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The comparative amounts were restated. Refer to note 63.16

35. Remuneration of Councillors

Councillors	18 272 420	17 307 558
Executive Mayor	903 871	860 542
Deputy Mayor	731 975	695 257
Speaker	725 826	695 257
Chief Whip	688 956	647 580
Executive Committee	5 066 820	5 180 632
All Other Councillors	10 305 045	9 373 168
	18 422 493	17 452 436

The skills development levy R150 775 (2018: R144 878) in respect of councillors are paid from general expenditure.

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

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Figures in Rand	2019	2018
36. Councillors Remuneration per class of councillor		
Executive Mayor		
Allowances and service related benefits		
Basic Salary	636 472	612 044
Travel Allowance	214 868	206 603
Cell Phone Allowance	40 800	30 528
Data Card Allowance	3 600	3 600
Skills Development Levy	8 131	7 767
	903 871	860 542
Deputy Executive Mayor		
Allowances and service related benefits		
Basic Salary	474 213	456 002
Travel Allowance	171 894	165 282
Cell Phone Allowance	40 800	30 528
Data Card Allowance	3 600	3 600
Pension Fund Contribution	35 631	34 278
Skills Development Levy	5 837	5 567
	731 975	695 257
Speaker		
Allowances and service related benefits		
Basic Salary	484 403	456 002
Travel Allowance	171 844	165 282
Cell Phone Allowance	40 626	30 528
Data Card Allowance	3 600	3 600
Pension Fund Contribution	2 850	34 278
Skills Development Levy	6 663	5 567
Medical Aid Benefits	15 840	-
	725 826	695 257
Chief Whip		
Allowances and service related benefits		
Basic Salary	430 856	441 743
Travel Allowance	161 182	154 953
Cell Phone Allowance	40 722	24 168
Data Card Allowance	3 600	3 600
Pension Fund Contribution	29 615	-
Skills Development Levy	5 701	5 836
Medical Aid Benefits	17 280	17 280
	688 956	647 580
Executive Committee		
Allowances and service related benefits		
Basic Salary	3 298 068	3 450 293
Travel Allowance	1 187 835	1 239 622
Cell Phone Allowance	301 281	193 344
Data Card Allowance	26 530	28 800
Pension Fund Contribution	146 067	155 855
Skills Development Levy	42 239	43 598

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Figures in Rand	2019	2018
Medical Aid Benefits	64 800	69 120
	5 066 820	5 180 632
All Other Councillors		
Allowances and service related benefits		
Basic Salary	6 184 940	5 909 716
Travel Allowance	2 228 199	2 128 323
Cell Phone Allowance	1 276 246	748 441
Data Card Allowance	112 628	111 486
Pension Fund Contribution	297 689	280 680
Skills Development Levy	81 503	76 543
Medical Aid Benefits	123 840	117 979
	10 305 045	9 373 168
37. Contribution to/from provision		
Landfill site	6 025 885	996 043
38. Contribution to employee benefit obligation		
Post-retirement healthcare benefit liability	(3 009 593)	4 342 109
Long service award	(1 031 749)	3 145 556
Leave gratuity	5 314 981	4 240 000
	1 273 639	11 727 665
39. Depreciation and amortisation		
Property, plant and equipment	172 735 940	155 448 205
Investment property	370 529	370 533
Intangible assets	1 852 346	1 730 817
	174 958 815	157 549 555
40. Finance costs		
Current borrowings	17 033 200	18 775 322
Interest costs non-current provisions	6 174 066	-
	23 207 266	18 775 322
41. Lease rentals on operating lease		
Operating leases		
Contractual amounts	2 090 460	6 646 267
Equipment		
Contractual amounts	410 164	27 843
Plant and equipment		
Contractual amounts	432 438	1 411 023
	2 933 062	8 085 133

The comparative amounts were restated. Refer to note 63.21

Stellenbosch Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
42. Debt impairment		
Electricity	173 753	422 539
Refuse	1 198 997	2 219 946
Sewerage	1 089 710	1 830 178
Water	11 219 869	8 854 722
Housing rental	2 092 463	3 281 552
Rates	894 282	1 746 333
Traffic fines	88 538 140	29 615 310
	105 207 214	47 970 580
43. Contribution to allowance for doubtful debt		
Receivable from exchange allowance contribution	20 820 635	18 838 907
Receivable from non-exchange allowance contribution	1 131 486	53 620 755
	21 952 121	72 459 662
The comparative amounts were restated. Refer to note 63.18		
44. Bulk purchases		
Electricity - Eskom	350 008 266	313 552 804
Water	30 662 364	16 126 688
	380 670 630	329 679 492
The comparative amounts were restated. Refer to note 63.19		
45. Contracted services		
Outsourced Services		
Animal Care	7 031	10 241
Catering Services	261 490	207 290
Cleaning Services	992 892	994 050
Clearing and Grass Cutting Services	3 110 929	1 093 684
Litter Picking and Street Cleaning	3 200 529	4 592 637
Medical Services [Medical Health Services & Support	110 889	1 361
Personnel and Labour	501 328	619 081
Professional Staff	391 419	340 342
Refuse Removal	18 087 629	12 021 096
Security Services	16 065 250	8 162 810
Translators, Scribes and Editors	26 067	4 260
Traffic Fines Management	9 836 651	7 845 250
Transport Services	748 163	1 554 693
Drivers Licence Cards	770 882	843 997
Consultants and Professional Services		
Business and Advisory	13 212 149	12 855 917
Infrastructure and Planning	7 358 943	10 300 330
Laboratory Services	1 177 925	1 092 003
Legal Cost	9 777 392	5 181 406

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45. Contracted services (continued)		
Contractors		
Artists and Performers	48 000	68 970
Bore Waterhole Drilling	61 641	60 132
Catering Services	1 221 984	1 374 927
Employee Wellness	219 645	102 383
First Aid	80	1 505
Gardening Services	896 046	1 395 806
Graphic Designers	28 781	73 905
Interior Decorator	95 666	-
Maintenance of Buildings and Facilities	15 561 852	11 883 038
Maintenance of Equipment	1 797 796	1 741 206
Maintenance of Unspecified Assets	29 535 189	28 423 390
Management of Informal Settlements	513 343	660 887
Medical Services	83 453	44 244
Pest Control and Fumigation	14 696	88 261
Photographer	-	11 435
Plants, Flowers and Other Decorations	292 560	69 146
Prepaid Electricity Vendors	8 229 782	7 074 286
Preservation/Restoration/Dismantling/Cleaning Serv	415 305	584 969
Tracing Agents and Debt Collectors	1 869 475	1 668 813
Transportation	4 524 212	855 284
Safeguard and Security	-	3 722
Sewerage Services	467 377	818 057
Stage and Sound Crew	303 139	358 643
	151 817 580	125 083 457

The comparative amounts were restated. Refer to note 63.20

46. Transfers and subsidies paid

Other subsidies		
Grant-in-aid tourism	4 124 338	3 714 185
Grant-in-aid animal welfare	1 050 000	1 000 000
Grant-in-aid sundries	3 815 701	1 547 000
	8 990 039	6 261 185

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47. General expenses		
Advertising, publicity and marketing	2 943 163	2 937 731
Assets less than capitalisation threshold	922 109	835 703
Auditors remuneration	6 295 797	5 084 040
Bank charges, facility and card fees	1 022 289	1 252 160
Bursaries (Employees)	407 918	-
Bursaries (Non-employee)	139 410	-
Communication	5 649 956	5 828 682
Commision paid	2 685 445	2 388 302
Domestic subsistence and travel	892 224	355 400
Entertainment	126 275	71 402
External computer services	13 512 829	8 131 593
Foreign subsistence and travel	53 094	16 871
Full time union representative	133 508	190 727
Hire charges	12 214 934	3 446 792
Honoraria (voluntary workers)	12 600	25 700
Indigent relief	4 317 298	13 591 526
Insurance	4 327 956	4 597 308
Inventory - materials and supplies	12 442 636	20 704 710
Inventory - standard rated	5 153 285	4 935 913
Inventory - zero rated	13 700 724	10 150 118
Inventory consumed water	296 630	255 470
Licences: motor vehicle licence and registrations	1 225 229	1 074 682
Management fees	8 129 979	7 389 957
Municipal services	8 000 613	7 833 636
Office decorations	53 165	29 075
Other expenses	200 173	145 337
Printing, publications and books	458 536	832 210
Professional bodies, membership and subscription	3 879 060	5 214 605
Samples and specimens	378 953	229 192
Seminars, conferences, workshops and events	2 968 702	2 584 201
Skills development levy	3 998 884	3 853 769
Supplier development programme	942 126	(1 540)
Drivers lisences and permits	20 924	30 828
Title deed search fees	7 860	505 463
Uniform and protective clothing	3 582 350	3 314 709
Vehicle tracking	732 365	1 100 702
	121 828 999	118 936 974

The comparative figures were restated. Refer to note 63.22

48. Fair value adjustments

Gain arising from changes in fair value less costs to sell on biological assets	-	(2 169 114)
Other financial assets		
• Discounting of long term receivables	(350 833)	1 373 308
	(350 833)	(795 806)

Movement in discounting of long term receivables

Opening balance	(1 913 488)	(3 286 796)
Discounting	(350 833)	1 373 308
	(2 264 321)	(1 913 488)

Notes to the Annual Financial Statements

49. Cash generated from operations

Surplus	124 561 617	245 775 656
Adjustments for:		
Depreciation and amortisation	174 958 812	157 549 540
Gain (loss) on sale of assets and liabilities	5 060 315	(426 920)
Fair value adjustments	350 833	795 806
Impairment deficit	1 705 912	6 398 337
Debt impairment	105 207 214	47 970 580
Contribution to debt impairment	21 952 121	92 435 878
Operating lease liability	(108 080)	(360 110)
Movements in retirement benefit assets and liabilities	(9 644 159)	(163 554)
Movements in provisions	23 179 290	996 042
Fair value in biological assets	-	2 169 114
Changes in working capital:		
Inventories	(10 617 630)	(1 587 946)
Other receivables from exchange transactions	(5 195 055)	2 651 643
Receivables from exchange transactions	(27 498 488)	(55 966 900)
Receivables from non-exchange transactions	(98 593 082)	(112 603 596)
Payables from exchange transactions	25 705 147	(43 315 024)
VAT	6 851 859	(19 383 161)
Unspent conditional grants and receipts	47 909 876	25 885 496
Consumer deposits	1 403 987	1 096 900
	387 190 489	349 917 781

50. Financial assets by category

The financial assets of the municipality are classified as follows:

2019

	Amortised cost	Total
Cash and cash equivalents	169 490 533	169 490 533
Receivables from exchange transactions	161 402 873	161 402 873
Other receivables from exchange transactions	4 276 034	4 276 034
Receivables from non-exchange transactions	16 058 432	16 058 432
Investments	398 163 664	398 163 664
Long term receivables	4 655 958	4 655 958
	754 047 494	754 047 494

2018

	Amortised Cost	Total
Cash and cash equivalents	20 683 383	20 683 383
Receivables from exchange transactions	170 499 812	170 499 812
Other receivables from exchange transactions	2 467 380	2 467 380
Receivables from non-exchange transactions	9 395 140	9 395 140
Investments	505 617 672	505 617 672
Long term receivable	3 758 665	3 758 665
	712 422 052	712 422 052

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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51. Financial liabilities by category

The financial liabilities of the municipality are classified as follows:

2019

	Amortised cost	Total
Consumer deposits	17 077 912	17 077 912
Other financial liabilities	318 800 147	318 800 147
Payables from exchange transactions	247 711 646	247 711 646
	583 589 705	583 589 705

2018

	Amortised cost	Total
Consumer deposits	15 673 925	15 673 925
Other financial liabilities	173 302 138	173 302 138
Payables from exchange transactions	228 021 764	228 021 764
	416 997 827	416 997 827

Notes to the Annual Financial Statements**52. Risk management****Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	17 160 138	-	-	-
Other financial liabilities	17 266 702	26 888 845	84 793 625	189 850 975
Payables from exchange transactions	247 711 646	-	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	15 673 925	-	-	-
Other financial liabilities	14 501 990	15 946 207	47 793 625	95 060 316
Payables from exchange transactions	228 021 764	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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52. Risk management (continued)

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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52. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Cash and cash equivalents	169 257 757	20 683 383
Short term investments	398 163 664	505 617 672
Receivables from exchange transactions	161 402 873	170 499 812
Other receivables from exchange transactions	4 276 034	4 698 477
Receivables from non-exchange transactions	16 058 432	9 395 140
Long term receivable	4 655 958	3 758 665
	753 814 718	714 653 149

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

53. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	229 338 793	248 084 443
• Intangible assets	71 146 289	37 648 610
	300 485 082	285 733 053

Total capital commitments

Already contracted for but not provided for	300 485 082	285 733 053
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Authorised operational expenditure

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources and funds internally generated.

The amounts as disclosed are VAT inclusive.

Notes to the Annual Financial Statements

54. Contingencies

2017/2018 Contingent liabilities

Stellenbosch Municipality / Silver Crest Trading 161 (Pty) Ltd and Stellenbosch Municipality / Vinyl Investments (Pty) Ltd Instruction to stop illegal building works and demolish the illegal building works. Court order was obtained to demolish the illegal building work, but when we proceeded to execute the court order, we established that the property was already transferred into the new owner's name, Vinyl Investments (Pty) Ltd. The attorneys had to give notice to the new property owner and drafted a founding affidavit to institute legal action against the new owner. Reference: Ggieter/ A Ras

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Francois Jansen

Application for eviction of unlawful occupants from municipal property.

Management's estimate of the financial exposure R 50 000.

Stellenbosch Municipality / Tania Wasmuth And Others

Application for eviction of unlawful occupants from municipal property.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Cobus Visagie

Approximately R684 000.00 owed by Cobus Visagie for a tender to harvest wood.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Klappmuts Mediation

Municipality under obligation to provide emergency housing to evictees of various eviction orders in Klappmuts. Klappmuts community has threatened violence against evictees and destruction of property should the municipality proceed to utilise Klappmuts housing facilities for evictees rather than for members of the Klappmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. Mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the Committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. Reference: KVD BERG/S613

Management's estimate of the financial exposure R250 000.

Stellenbosch Municipality / T & N Thabo

Application to demolish two illegal nutek structures on the Property. A court order was obtained to demolish the illegal structures, but allows the respondents to demolish the structures themselves or to submit building plans for approval and should they fail to do so, the sheriff be instructed to demolish the illegal structures.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / Orey

Eviction application.

Management's estimate of the financial exposure R40 000.

Stellenbosch Municipality / Visagie & Tromp

Eviction of illegal occupiers on municipal land

Management's estimate of the financial exposure R55 000.

Stellenbosch Municipality / Dillon Carelse

Eviction application of illegal occupiers from municipal land

Management's estimate of the financial exposure R40 000.

Notes to the Annual Financial Statements

54. Contingencies (continued)

Stellenbosch Municipality / Surita Layman

Application to set the sale of property aside

Management's estimate of the financial exposure R130 000.

Fredericksburg Landgoed (Pty) Ltd & Others / Stellenbosch Municipality & Others

This matter, an application in terms of the National Environmental Management Act 107 of 1998 to have a directive issued against the Municipality, has now been partly concluded and only legal costs and disbursements for which the Municipality may be liable for have to be taxed. This has not been done for the past 7 years.

This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 1901064 / 1988215

Management's estimate of the financial exposure R200 000.

Fusion properties 233 cc / The Municipality of Stellenbosch

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality.

The amount claimed are R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015.

The Municipality is defending the action. Pleadings have now closed and the Plaintiff is in the process of applying for a court date Reference: RB Africa / S Kgomo / 3006430

Should the litigation against the Municipality be successful, the estimate of financial exposure will be the R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R500 000.00.

Independent Schools Association of Southern Africa / eTheKwini Municipality / Stellenbosch Municipality & Others

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekwini Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant and the parties are in the process of exchanging pleadings.

An interlocutory application brought by the National Minister of Finance and National Minister of Co-operative Governance and Traditional Affairs for the variation and/or rescission of a court order regarding the provision of the record and for certain documents to be excluded from the record was set down and heard on 4 August 2014. Judgment has been delivered and the parties are now in the process of preparing and exchanging supplementary papers.

The Minister for Co-operative Government and the Minister of Finance have filed their answering affidavit to the Municipality's Founding affidavit and supplementary affidavit in the counter application. ISASA has filed its answering affidavit to the Municipality's supplementary affidavit in the counter application. Our attorneys have submitted the Municipality's replying affidavit to both the Minister's and ISASA's answering affidavit. The matter is ready for enrolment.

This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 2083835

Management's estimate of the financial exposure R250 000.

GD Wallace No / Stellenbosch Municipality

Filed notice of intention to defend and Notice of Bar to file their declaration. Haven't received anything from Plaintiff's attorneys so far. Not requesting that matter be placed on roll, as Stellenbosch Municipality is Defendant. Reference: STB1/0110

Management's estimate of the financial exposure R58 000.

Stellenbosch Municipality / Mandisi Parscal Jejane

Illegal structure was erected without approved building plan and the occupiers need to be evicted

Management's estimate of the financial exposure R50 000.

Notes to the Annual Financial Statements

54. Contingencies (continued)

Stellenbosch Municipality / Siyazama Co Constructioun (Pty) Ltd

Contractor illegally occupied the property leased to a crèche and need to be evicted.

Management's estimate of the financial exposure R50 000.

Stellenbosch Municipality / E Ross & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 609 Lavanda Flats, Jan Cillier Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality / L Bailey & Another

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cillier Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R200 000.

Stellenbosch Municipality // A De Ruiter & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents, evicted from the property, Erf 5281 Idas Valley, due to the Respondents actions. The eviction application is still pending

Management's estimate of the financial exposure R350 000.

Stellenbosch Municipality / J Morgan & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch due to the respondents actions. The eviction application is pending.

Management's estimate of the financial exposure is R200 000.

Stellenbosch Municipality / Phumlomo & Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of the property at 3 Mjandana Street, Kayamandi, Stellenbosch due to the Respondents actions. The eviction application is still pending.

Management's estimate of the financial exposure is R200 000.

Zenobia Campbell / Stellenbosch Municipality

Applicant for the position of Senior LED Officer: Rural Development instituted a monetary claim against the Municipality for the payment of damages as a result of the fact that she was not employed by the Municipality.

Should the litigation against the Municipality be successful, the estimate financial exposure will be between R8 812 713.16 and R4 614 781.34 together with interest including legal costs and disbursements of approximately R200 000.00.

Stellenbosch Municipality / Stellenbosch Golfklub

This matter relates to a contractual dispute regarding the payment of rates and taxes by the Stellenbosch Golfklub to the Municipality. In terms of the long term lease agreement any dispute must be referred to arbitration.

Management's estimate of the financial exposure R100 000.

John Cloete T/A Jonty Engineering And Trading Sa Cc / Stellenbosch Municipality

Claim for payment of an amount of R298 030.00 for goods and services rendered in terms of an approved tender.

Management's estimate of the financial exposure R350 000.

S Jacobs / Stellenbosch Municipality

Claim for damages for alleged sexual harassment verbal abuse and victimisation, intimidation, harassment and unfair discrimination

Claim for 24 months' salary and maximum compensation for unfair discrimination, harassment and victimisation including sexual harassment and damages for the action of the employer.

Notes to the Annual Financial Statements

54. Contingencies (continued)

Lizelle Moses / Stellenbosch Municipality

Claim of unfair labour practice relating to provisions of benefits in terms of section 186(2)(a) of the Labour Relations Act. Mrs Moses claimed that her benefit should have been upgraded by the implementation of TASK. The ruling needs to be rescinded and set aside.

Management's estimate of the financial exposure R100 000.

Stellenbosch / Urian Groenewald & Jacques Francois Swart

Motor vehicle collision in which the municipal traffic lights were damaged

Management's estimate of the financial exposure R50 000.

2018/2019 Contingent liabilities

Anonymous/Stellenbosch Municipality

A municipal employee intited legal proceedings against Stellenbosch Municipality and a municipal employee for alleged sexual harassment and unfair discrimination in the Labour Court. The Municipality has filed its Statement of Response to the Plaintiff's Statement of Claim and awaits a court date to have the matter argued. At reporting date this matter is pending

Management estimates financial exposure to approximately R200 000 in respoect of costs and disbursements. The amount of the claim has not been included as the plaintiff's prospects of success are unlikely.

Stellenbosch Municipality / Herman Pheiffer

Monetary claim by the former Speaker, Herman Pheiffer against the Municipality. The Municipality defended the case succesfully against Mr Pheiffer and obtained a cost order. At reporting date the matter is pending.

Management estimates financial exposure to mount to approximately R50 000 in respect of costs and disbursements. The amount of the claim has not been included as the plaintiff's prospects of success are unlikely.

Stellenbosch Municipality / Thato Rubusha

Review application instituted by Stellenbosch Municipality settingaside the Arbitration Award made under WCP121702 under the South African Local Government Bargaining Council to pay Thato compensation for additional work. At reporting date this matter is pending

Managment estimates financial exposure to amount to approxomately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable in order to finalize this matter.

Stellenbosch Municipality / Siyazama CP Constructions (Pty) Ltd

Stellenbosch Municipality is in the process of instituting eviction proceedings against illegal occupiers of the property, which the Municipality is leasing to Kindersorg to operate a creche in Kayamandi. The eviction application is pending. The founding affidavit of the Municipality needs to be finalised, where after the Municipality can proceed with the institution of the eviction application. The Municipality has received the founding affidavit and is in the process of proposing amendments thereto. At the reporting date the matter is pending,

Management estimates financial exposure to amount to be approxomately R50 000 in respect of costs and disbursements.

Stellenbosch Municipality / Klapmuts Mediation

The Municipality has an obligation to provide emergency housing to evictees of various eviction orders in Klapmuts. The Klapmuts community has threatened violent action against evictees and destruction of property should the Municipality proceed to use Klapmuts housing facilities for evictees rather than for members of the Klapmuts community.

Notes to the Annual Financial Statements

54. Contingencies (continued)

An independent expert mediator has been appointed to facilitate mediation which is currently pending. The mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. At reporting date this matter is pending. Reference: KVDBERG/S613.

Mediation needs to be finalised to obtain buy-in of the community to Klapmuts. Management estimates financial exposure to amount to approximately R250 000 in respect of costs and disbursements.

Franklin Adams/ The Speaker/ Stellenbosch Municipality

Councillor Adams instituted legal proceedings against the Speaker of the Municipality in the Equality Court. The Municipality served and filed its opposing affidavit in the matter. The matter was subsequently postponed to 9 July 2019 for the inter alia Councillor Franklin Adams to apply for legal assistance from Stellenbosch Municipality. The matter was postponed until 5 September 2019 to allow councillor Adams' attorney to come on record to attend to the directive hearing. Thus, at reporting date this matter is pending.

Management estimates financial exposure to amount to approximately R50 000 in respect of costs and disbursements.

Stellenbosch Municipality/ E Ross & Others

Stellenbosch Municipality is in the process of instituting eviction proceedings against the Respondents of the property at 609 Lavanda Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The respondents did not oppose the application within the required time, as a result the Municipality submitted a Chamberbook application to oblige the respondents to submit their opposing affidavit, which they neglected to do. The matter will be enrolled on the unopposed roll.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the municipality may be liable to finalise this matter.

Stellenbosch Municipality / L Baily & Another

Stellenbosch Municipality is in the process instituting eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending. Thus, at reporting date this matter is pending and the Municipality awaits for the Writ from the Registrar of the High Court.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Stellenbosch Municipality / J Morgan & Others

Stellenbosch Municipality is in the process of instituting eviction proceeding against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch, due to the Respondents actions. The attorneys are currently in the process to finalise affidavit. At reporting date, the eviction application is still pending and the Municipality is in the process of finalising the affidavit.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Stellenbosch Municipality / A De Ruiter & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents evicted from the property, Erf 5281 Cloetesville, due to the Respondents actions. At reporting date, the eviction application is still pending, and the Affidavit still needs to be signed by the Municipal Manager.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Stellenbosch Municipality / Franscois Jansen

Notes to the Annual Financial Statements

54. Contingencies (continued)

An application has been instituted by the Stellenbosch Municipality for the eviction of unlawful occupants from municipal property. This matter is still pending at the reporting date.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to obtain for the Final Court Order.

Stellenbosch Municipality / Tania Wasmuth & Others

An application for eviction of unlawful occupants from municipal property has been instituted by Stellenbosch Municipality. This matter is still pending at the reporting date.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to obtain the Final Court Order.

Stellenbosch Municipality / Cobus Visagie

Approximately R684 000 was owed by Cobus Visagie for a tender to harvest wood. Summary judgement was obtained but the money still needs to be collected.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to obtain to Final Court Order.

Metro City Protection Services / Stellenbosch Municipality

Metro City Protection Services instituted legal proceedings against Stellenbosch Municipality, pursuant to them not being awarded the tender for the rendering of security services. They applied for the Municipality to be interdicted to implement the tender with Securitem (Pty) Ltd and applied to have the tender award reviewed and set aside.

The matter was argued and the interdict was denied. The Review application is currently pending and a timetable was agreed upon in terms of which the matter will be argued on 12 September 2019. The Municipality had to file its Rule 53 record on 27 May 2019. The Applicant must file its supplementary affidavit by 13 June 2019 and the Municipality must file its answering affidavit by 4 July 2019. The parties are in the process of settling the matter. At reporting date this matter is pending.

Management estimates financial exposure to amount to approximately R250 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for to obtain the final court order.

La Concorde South Africa (Pty) Ltd / The Stellenbosch Municipality & Others

La Concorde raised an objection to the constitutional validity of Section 24(1)(e) of the Stellenbosch Municipal Planning By-law, 2015 read with Section 61(2)(c) of the Western Cape Land Use Planning Act, 3 of 2014. La Concorde alleged that the Section 24 exempts an owner from applying for a subdivision in the circumstances listed therein, any reference in both the By-law and LUPA to "application" or "approval" cannot apply to a request to a municipality to issue an exemption certificate and the issuing of the exemption certificate is not an "approval" or a "decision" for the purposes of the By-law and LUPA. Pursuant to providing the information/documents requested in terms of La Concorde's Rule 30(1)(A) notice, La Concorde served another Rule 30(1)(A) notice requesting further additional information/documents. The Municipality provided the information, (except for the Planning Department) requested to our attorneys of record who is attending compiling the additional Rule 53 record. At year end this matter was still pending.

Management estimates financial exposure to amount to approximately R250 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for in order to obtain the final court order.

Stellenbosch Municipality / Stellenbosch Golf Club

Notes to the Annual Financial Statements

54. Contingencies (continued)

Stellenbosch Municipality entered into a long term notarial lease agreement with Stellenbosch Golfklub ("the Golfklub") on or about 20 December 1994, which lease agreement was notarial registered under reference number K199/95L on 14 March 1995. In terms of clause 4.6 of the notarial lease agreement the Golfklub is responsible for payment of the rates and taxes levied by the Municipality. The Municipality is involved in a dispute with the Stellenbosch Golfklub regarding outstanding rates the municipality claims from the Golfklub. The Golfklub leases the property on which the golf course is situated from the Municipality and for that reason is alleging that they do not have to pay rates and taxes to the Municipality.

The Municipality has finalised amendments to the draft Arbitration agreement as well as its Heads of Arguments and have forwarded the same to Stellenbosch Golf Club's attorneys. Stellenbosch Golfklub indicated that they want to make amendments to the Arbitration Agreement and Statement of Case and as a result the scheduled arbitration could not proceed on 31 May 2019. We are still awaiting the proposed amendments from Stellenbosch Golfklub and new dates on which the arbitration can proceed. At year end this matter was still pending.

Management estimates financial exposure to amount to approximately R300 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Gerhard Schalk van Niekerk N.O and Others / Stellenbosch Municipality

Gerhard Schalk van Niekerk N.O & Others ("the Applicants") instituted review proceedings against Stellenbosch Municipality's resolution of 31 October 2018, which resolved the owners to be instructed to demolish all structures/boundary fences impeding public access to the Millstream, and to move all boundary fencing to their own ERF boundaries, within a period of 3 (three) months of receipt of the notice ("the Council resolution"), be reviewed and set aside.

Furthermore, that the decision of the Municipality on or about 22 November 2018, alternatively on or about 14 May 2019, to issue notices pursuant to the Council's resolution to the First to Fourth Applicants and the Fifth to Seventh Applicants, respectively ("the decision to issue the notices"), be reviewed and set aside. One of the Applicants prayers is that the Municipality pay the Applicants costs of the application, including costs of two counsel.

The Applicants even, i.e. the Alabama Trust as registered owner of ERF 1629, Stellenbosch and the Gillomee Trust as registered owner of ERF 1726 Stellenbosch abut ERF 1771 Stellenbosch of which Stellenbosch Municipality is the owner. ERF 1771 Stellenbosch is zoned as Public Open Space. The Applicants erected structures, which structures encroached on ERF 1771 Stellenbosch, without any prior approval of Stellenbosch Municipality. The Stellenbosch Municipal Council inter alia resolved on 31 October 2018 that the owners be given notices that any and all agreements that may exist with them in writing, or allowances made over the years, in regard to the use of land across the Millstream, is cancelled/revoked and that the owners be informed to demolish all structures/boundary fences not allowing public access to the Millstream and move any and all boundary fencing to their own erf boundaries within a period of 3 months of receipt of the notice.

Fusion Properties 233 CC / The Municipality Of Stellenbosch

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The Municipality is defending the action. The application that the Plaintiff has to provide security for costs was granted and the interlocutory application to strike out certain allegations was also successful. The Plaintiff made application for leave to appeal against the judgment, for which the application was refused with costs. At reporting date this matter is pending. : Reference RB Africa / S Kgomo / 3006430.

Should the litigation against the Municipality be successful, management estimates financial exposure will be the R32 115 000 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R1 350 000.00.

Independant Schools Association of Southern Africa / EThekweni Municipality / Stellenbosch Municipality & Others

Notes to the Annual Financial Statements

54. Contingencies (continued)

The matter was argued in June 2019 and judgment was subsequently granted against the Municipality with a costs order. The Municipality submitted its leave to appeal against the judgment on 24 July 2019. The appeal was subsequently argued and leave to appeal was granted. This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 2083835.

Management estimates financial exposure to amount to approximately R250 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

De Zalze Golf Club / Valuation Appeal Board Fof Stellenbosch Municipality

Management estimates financial exposure to amount to approximately R500 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch Municipality/ Mandisi Parscal Jejane

The matter concerns the removal of an illegal structure which was erected without building plans, for which the occupants need to be evicted.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch/ Urian Groenewald & Jacques Francois Swart

The matter concerns a claim regarding a motor vehicle collision where the municipal traffic lights were damaged.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch Municipality/ The Municipal Manager/ Franklin Adams

The matter concerns a claim by Councillor Adams against the Speaker and Municipal Manager in the Equality Court.

The matter was withdrawn by Franklin Adams on 15 October 2019. Court judgement stated that each party is responsible for their own costs. The municipality is currently deciding whether an appeal will be launched.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch Municipality/ April & Another

The matter concerns the institution of eviction proceedings by the municipality against the respondents of the property.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Notes to the Annual Financial Statements

55. Related parties

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 15 in the annual financial statements.

Key management information

Remuneration of management

Compensation of key management and personnel is set out in notes 34, 35 and 36 respectively in the annual financial statements.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

56. Awards to close family members in the service of the state

The detail listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulations 2005 that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Supplier	Name	State Department	Spouse, Child or Parent	2019	2018
Aurecon South africa (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	8 767 802	13 108 894
ARB Electrical Wholesalers (Pty) Ltd	J Modise	Eskom Holdings: Non Executive Director and Road Accident Fund (RAF) CEO	Spouse	1 388	40 276
Bergstan South Africa	C Beukes	Department of Social Development	Spouse	73 600	145 920
Kemanzi (Pty) Ltd	J N Du Toit	City of Cape Town	Spouse	115 438	529 330
CSM Consulting Services	A Vancoillie	Department of Environmental affairs and Development Planning	Child	27 600	334 099
Exeo Khokela Civil	T Meyer	Department of Education	Child	5 999 461	12 438 725
Red Hills Electronics	L Hartley	Department of Education	Spouse	3 793 770	4 992 149
Milhon HVAC	J Sampson	Stellenbosch Municipality	Spouse	-	196 735
NCC Environmental Servicess (Pty) Ltd	C Rhode	City of Cape Town	Spouse	9 775	33 429
Helderberg Business	N Hitchert	Department of Agriculture	Spouse	1 750	11 880
Rhode Bros Steel Pro	D Rhode	South African Police Service	Child	62 315	36 384
Flowers in the Foyer	E Gunter	Other Government department	Spouse	2 700	2 420
Silver Solutions 1765	D Simpson	Department of Education	Spouse	-	13 000
Element Consulting	S Pienaar	Department of Local Government	Spouse	275 476	595 298
Payless Fitment Centre	R Olivier	Department of Social Development	Spouse	-	7 767
Idas Valley Cleaning Solutions	G Jonkers	Stellenbosch Municipality	Child	-	53 230
	C Jonkers	Department of Local Government			
Idas Valley Service Centre	J Bergstedt	Stellenbosch Municipality	Spouse	-	105 621
IKapa Reticulation and flow	S Davids	Department of Education	Spouse	1 232 505	2 146 549
Isuzu Truck Centre (Pty) Ltd	E Jacobs	Department of Local Government	Spouse	1 603 199	-
Smec South Africa (Pty) Ltd	Y Phosa	Department of the Premier		234 255	81 420
AECOM SA (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	2 549 515	5 299 688
Conlog (Pty) Ltd	N Moodley	Department of Health	Spouse	1 861 204	2 475 583
Rhotec	P Rhode	Department of Education	Spouse	44 789	162 657
Steven Happie	F Happie	City of Cape town		142 210	111 742
G and G Maintenance	GB Gabriels	Department of Local Government	Parent	103 987	87 017

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

56. Awards to close family members in the service of the state (continued)

Novus3 (Pty) Ltd	M De Vries	Department of Education		1 723 120	1 101 589
	J Scheepers	Council for Medical Services			
Landfill Consult (Pty) Ltd	MM Dube	DICRO		1 248 792	2 601 214
Man 4 Trading (Pty) Ltd	MS Samuels	Department of Education	Spouse	-	128 030
Blue Planet Trading	W De Kock	Stellenbosch Municipality	Parent	-	196 810
ARCUS GIBB	B September	City of Cape Town	Spouse	374 448	315 453
ME Grow Mega Construction	J Sampson	Stellenbosch Municipality	Aunt	-	16 400
Stellenbosch Hospice	L Esau	Department of Local Government	Spouse	40 000	40 000
Massamatic (Pty) Ltd	Mr Barnard	Department of Health	Brother in law	-	121 635
Mpumamanzi Group CC	E Bouwers	Department of Health	Parent	705 434	253 361
EAM 73 Enterprises	Ms Meyer	Department of Education	Spouse	30 910	26 550
MA Johnson T/A TC Events	L Johnson	Other Government Departments	Child	-	11 970
MZR Electrical and Building (Pty) Ltd	JD Rosenberg	Department of Local Government	Spouse	-	13 200
Sowerby Engineering	J Scheepers	Department of Education	Spouse	77 780	-
SMS ICT CHOCE (Pty) Ltd	Mrs Maqula	Department of Health	Spouse	352 674	318 351
Mindspring Computing	R Loghdey	Other Government Departments	Spouse	5 336	491 601
HJ Productions	Director	Department of Agriculture	Spouse	56 550	59 410
Mubeko Africa (Pty) Ltd	J Niehaus	Department of Health	Spouse	677 219	498 663
Vuyani Electrical Supplies	M Agulhas	City of Cape Town	Child	39 460	530 858
LM Supplies (Pty) Ltd	G Hanson	Department of Local Government	Spouse	-	22 398
Du Toit Environmental	F Shariff	Department of Local Government	Spouse	307 686	55 050
Helderberg Maintenance cc	L Laurens	Environment Education and Superintendent Nature Conservation	Spouse	61 325	-
				32 603 473	49 812 356

Notes to the Annual Financial Statements

56. Awards to close family members in the service of the state (continued)

The following are the close family names of Aurecon South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
HC Ahlschlager	Special investigation unit; Legal representative	Spouse
B Alheit	Denel Dynamics; Executive Manager	Parent
CMM Barnard	Gauteng Department of Education, Deputy Principle	Spouse
CJ Barry	City of Cape Town; Head Finance	Spouse
Prof CJG Bender	University of Johannesburg, Professor	Spouse
J Blackmore	Department of Public Works; Project Manager	Parent
T Botha	Oudtshoorn Municipality; Technical Manager	Parent
Councillor JJJ Daniels	West Coast District Municipality; Deputy Mayor	Parent
MC Dunga	South African Navy; Engineer in Training	Spouse
WZ Erasmus	Cape Nature; Programme Manager	Spouse
HG Esterhuysen	West Coast District Municipality; Senior Manager Roads	Spouse
N Geldenhuys	Transnet Port Terminals; Mechatronic Engineer	Child
T Govender	Umgeni Water: Fleet Management Administrator - Asset Management	Child
N Grobbelaar	Central University of Technology; Programme Manager	Spouse
SM Grobbelaar	Northern Cape Education Department of Cooperative Governance: Human Settlements and Traditional Affairs; Town Regional Planner	Parent
Cr B Groenewald	Twaing Municipality: Councillor	Parent
Cr CP Herbst	Dr S Mompoti District Municipality; Councillor	Parent
E Herlodi	Manager Investigation Services; Limpopo Department of Economic Development and Tourism	
A Heyns	Stellenbosch Municipality; Assistant Superintendent	Parent
JH Higgs	SARS; Regional Manager	Spouse
A Hougaard	Department of Correctional Services; Principle Network Controller	Spouse
J Jacobs	Eastern Cape Department of Education; Personal assistant to Chief Director	Spouse
T Kholoanyane	Naledi Local Municipality; Tourism Manager	Spouse
B Kleynhans	Hessequa Municipality; Accountant	Parent
Cr BJ Kriegler	Cape Winelands District Municipality and Breede Valley Municipality; Councillor	Parent
M Marques	Department of Home Affairs; Deputy Director	Spouse
RT Mehlala	Eastern Cape Arts and Culture Council; Chief Executive Officer	Parent
R Meyer	Telkom SA; Project Manager	Parent
AJ Moore	Department of Water affairs; Chief Engineer	Spouse
K Nadasen	National Department of Public Works; Director Key Account Management	Spouse
R Nair	eThekweni Municipality; Building Inspector	Parent
D Ntsebeza	Buffalo City Metropolitan Municipality	Spouse
NH Ntsebeza	Eastern Cape Department of Health	Parent
SM O'Connell	Sol Plaatjie Municipality; Librarian	Spouse

Notes to the Annual Financial Statements

56. Awards to close family members in the service of the state (continued)

JF Phillips	Northern Cape Department of Economic Development and Tourism; Manager - Township Revitalisation	Spouse
PS Pretorius	Sol Plaitjie Municipality; Chief Officer	Parent
JH Riekert	SA Reserve Bank; Engineering	Spouse
JM Robertson	Ekurhuleni Metropolitan Municipality; Roads Engineer	Parent
G Saaiman	Auditor General Kimberley; Manager	Child
JJ Saaiman	Armcor; Quality Manager	Parent
J Scheepers	Council for Medical Schemes; Chief Financial Analysts	Spouse
EM Schon	Northern Cape Department of Co-operative Governance; Human Settlements and Traditional affairs; Assistant Manager	Spouse
Dr M Skead	Nelson Mandela Bay Metropolitan University; Senior Manager- Staff Development	Spouse
R Tebane	Ekurhuleni Metropolitan Municipality; Executive Manager	Parent
J Theron	Nelson Mandela Bay Metropolitan University; Head: Graduate School Relations	Spouse
GJ Tong	North West Department of Finance; Deputy Director	Parent
N Towers	Department of Mineral Resources; Inspectorate of Mines	Parent
J Tredoux	Department of Water Affairs; Deputy Director Accounts Payable	Spouse
A Treurnich	Umgindi Municipality; Community Services Assistant Director	Parent
AN van Taak	Stellenbosch Municipality; Director Water and Sewerage	Parent
ZC Venter	Eastern Cape Department of Health; Deputy Director Employment Relations	Spouse
PC Vermeulen	City of Cape Town; Superintendent - Building Maintenance	Parent
J Wilkins	Correctional Services; Vice Director- Provincial	Parent
NS Wolmarans	IDC; Senior Accounts Manager	Spouse
NS Wolmarans	University of Johannesburg; Professor	Spouse
SW Zulu	Kwazulu Natal Department of Health; Human Resources Manager	Parent

The following are the close family names of AECOM South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
Sandra	Bloem water	Parent
A Powell	Department of Education	Spouse
L Wolff	Department of Education	Spouse
M Breytenmbach	Eendracht Primary School	Spouse
A Rossouw	Eskom	Child
A Mahomed	eThekweni Municipality	Spouse
R Meyer	Grey College	Parent
E Venter	Gauteng Education Department	Spouse
C van der Merwe	Protea Park Primary School	Spouse
JHS Viljoen	SA Air Force- Waterkloof	Spouse
JC van der Walt	SANRAL	Parent
T Liversage	Transnet	Spouse
P de Waal	University of Pertoria	Spouse
A De Wet	UNISA	Spouse

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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57. Events after the reporting date

Independent Schools Association of Southern Africa/ eThekweni/Stellensbosch Municipality and Others

During the year of assesment, the Municipality joined, a co-applicant together with eThekweni Municipality, in application for the review and setting aside of the Amended Municipal Property Rates regulation promulgated on 12 March 2010. Initial application was bought against the eThekweni Municipality (Defendant) from the Independent School Association of Southern Africa (Applicant) regarding property rates charged on property of public benefit organisations.

This matter was heard in Kwa-Zulu local Division: Durban High Court on 5 June 2019. Judgement was delivered on 3 July 2019 and was not in favour of the Applicant, the Independent Schools Association of Southern Africa. Due to the ruling made, the municipality considers this to be an event after reporting date. Based on the presidents set on the ruling in this case, the judgement may have a material impact on the measurement of revenue from property rates for the municipalities in subsequent accounting periods.

The municipalities were ordered to pay the legal costs of the applicant. This amount is approximated to be R250 000. The municipalities submitted its leave to appeal against the judgement on 24 July 2019, this was subsequently argued and leave to appeal was granted.

58. Unauthorised expenditure

No unauthorised expenditure for the year under review.

59. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure for the year under review.

60. Irregular expenditure

Opening balance	34 736 802	18 513 578
Add: Irregular Expenditure - current year	48 732 864	29 275 088
Add: Irregular Expenditure identified in respect of prior year	4 223 363	-
Balance prior to write-offs	87 693 029	47 788 666
Less: Amounts written off	(43 390 255)	(5 975 650)
Less: Amount written off - 2016/2017	-	(7 076 214)
Closing balance	44 302 774	34 736 802

61. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	547 648	-
Council subscriptions	6 093 195	5 251 450
Amount paid - current year	(6 427 581)	(4 988 878)
Early settlement discount	(213 262)	(262 573)
Additional invoice	220 945	547 648
Balance Unpaid (included in Creditors)	220 945	547 647

Audit fees

Opening balance	6 755	116 174
Current year Audit Fee	6 405 103	5 300 563
Amount paid - current year	(6 380 491)	(5 409 490)
Amount paid - previous year	-	(492)
Balance Unpaid (included in Creditors)	31 367	6 755

VAT

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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61. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT receivable	47 448 229	54 272 329
VAT payable	27 759	-
	47 475 988	54 272 329

All VAT returns have been submitted by the due date throughout the year.

PAYE and UIF

Current year Payroll Deductions	(72 034 057)	(67 416 720)
Amount paid - current year	72 034 057	67 416 720
Balance Unpaid (included in Creditors)	-	-

Pension and Medical Aid Deductions

Current year Payroll Deductions and Council Contributions	107 199 175	99 592 332
Amount paid - current year	(107 199 175)	(99 592 332)
Balance Unpaid (included in Creditors)	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
KM Gugushe	-	25 404	25 404

Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review:

Distribution Losses	Electricity (KWH)	Water (KL)
System input	379 353 123	9 050 653
Sales	(350 725 915)	(6 515 365)
Distribution loss	28 627 208	2 535 288

Electricity losses are calculated as 7.55% . Electricity losses are within the industry norms.
Water losses are calculated as 28%. Water losses are within the industry norm.

62. Multi-employer retirement benefit information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Pension Fund and the South African Municipal Workers Union National Provident Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

Notes to the Annual Financial Statements

62. Multi-employer retirement benefit information (continued)

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of **R45.5 million** (2018: **R42.3 million**) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement funds have been valued by making use of the discounted cash flow method of valuation.

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The Cape Joint Pension Fund is a multi employer plan and the contribution rate payable is 27%, 9% by the members and 23.06% (period 1 February 2012 - 30 June 2014) and 26.77% (period 1 July 2014 - 30 June 2015) by their Councils. The actuarial valuation report at 30 June 2017 disclosed and actuarial valuation amounting to R 1 859 077 000 (30 June 2016: R 2 037 843 000), with a nett accumulated surplus of R 46 989 000 (2016: R 67 791 000), with a funding level of 102.6% (30 June 2015: 103.5%)

Notes to the Annual Financial Statements

62. Multi-employer retirement benefit information (continued)

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2017 disclosed an actuarial valuation amounting to R1,859,077,000 (30 June 2016 : R2,037,843,000), with a nett accumulated surplus of R46,989,000 (2016 : R67,791,000), with a funding level of 102.6% (30 June 2016 : 103.5%).

Defined contribution scheme

The actuarial valuation report at 30 June 2017 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,911,937,000.00 (30 June 2016 : R1,960,970,000.00), net investment reserve of R0 (30 June 2016 : R0) and with a funding level of 100% (2016 : 100%).

The actuary concluded that:

- The Pensioner account has a funding level of 102.6% with n surplus of R47.0 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R47.0million in The Defined Benefit Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the Defined Benefit Section including the Pensioner Account is 101.3% with a surplus of R47.0 million.
- The Defined Contribution Section has a funding level of 100% and is in sound Financial condition.
- Overall the fund is in a sound financial condition with n surplus of R47.0 million and the overall funding level of 102.6%.
- The Trustees awarded a 3.3% pension increase effective 1 January 2018.

It is to be noted that:

- All the active members have now all been converted to the Defined Contribution Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual Defined Benefit Section active members, that have now also converted to the Defined Contribution Section and
- Both the Defined Contribution Section and the Defined Benefit Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The last statutory valuation performed as at 30 June 2016 revealed that the assets of the fund amounted to R20,075,000,000 (30 June 2015: R18,322,177,000), with funding levels of 118.0% and 100% (30 June 2015 112.1% and 100%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a suplus of R0 and was 100% funded for both 2016 & 2015. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Municipal Councillors Pension Fund

Notes to the Annual Financial Statements

62. Multi-employer retirement benefit information (continued)

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councilors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948,000 (30 June 2014 : R6,574,775.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R10,050,029,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications

Below is a summary of the total effect that the prior period errors and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	23 062 587	(2 379 204)	-	20 683 383
Short term investments	505 617 672	-	-	505 617 672
Receivables from exchange transactions	214 466 298	(43 966 486)	-	170 499 812
Receivables from non-exchange transactions	77 128 197	(19 190 712)	-	57 937 485
Other receivables from exchange transactions	6 209 038	-	-	6 209 038
Inventories	46 990 515	(5 300 203)	-	41 690 312
VAT receivable	45 660 337	8 611 992	-	54 272 329
Long term receivables	1 600 207	-	-	1 600 207
	920 734 851	(62 224 613)	-	858 510 238
Non-Current Assets				
Property, plant and equipment	4 710 275 480	40 330 366	-	4 750 605 846
Investment property	423 252 024	(2 104 322)	-	421 147 702
Intangible assets	8 368 154	(5 358 821)	-	3 009 333
Biological assets that form part of an agricultural activity	6 321 448	-	-	6 321 448
Heritage assets	774 002	-	-	774 002
Long term receivables	2 158 458	-	-	2 158 458
	5 151 149 566	32 867 223	-	5 184 016 789
Total Assets	6 071 884 417	(29 357 390)	-	6 042 527 027
Liabilities				
Current Liabilities				
Payables from exchange transactions	239 903 570	3 412 300	-	243 315 870
Unspent conditional grants and receipts	101 602 890	(1 278 810)	-	100 324 080
Employee benefit obligation	47 887 911	1 716 035	-	49 603 946
Other financial liabilities	14 501 990	-	-	14 501 990
Consumer deposits	15 673 925	-	-	15 673 925
Operating lease liability	1 079 160	-	-	1 079 160
	420 649 446	3 849 525	-	424 498 971
Non-Current Liabilities				
Employee benefit obligation	219 186 792	(1 716 035)	-	217 470 757
Other financial liabilities	158 800 148	-	-	158 800 148
Provisions	79 165 186	-	-	79 165 186
	457 152 126	(1 716 035)	-	455 436 091
Total Liabilities	877 801 572	2 133 490	-	879 935 062
Net Assets	5 194 082 845	(31 490 880)	-	5 162 591 965
Net Assets				
Accumulated surplus	5 194 082 845	(31 490 897)	-	5 162 591 948

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications (continued)**63.1. Cash and cash equivalents**

Balance previously reported	23 062 587
Other income - building plan fees	(1 306 788)
Other income - clearance certificates	(1 072 416)
	20 683 383

The sweeping between the traffic- / debtors bank accounts to the primary bank account was erroneously receipted to other income building plan fees and clearance certificates.

63.2 Receivables from exchange transactions

Balance previously reported	214 466 298
Accumulated surplus	(22 380 929)
Contribution to allowance for doubtful debt	(21 585 557)
	170 499 812

The municipality changed its methodology relating to the allowance for impairment calculation to adhere to the disclosure requirements of GRAP 104. This methodology change was applied retrospectively and substantially increased the allowance for doubtful debt.

63.3 Receivables from non-exchange transactions

Balance previously reported	77 128 197
Payables from exchange transactions	(942 377)
Accumulated surplus	(17 739 971)
Contribution to allowance for doubtful debt	(508 363)
	57 937 486

The shared economic facility grant to the amount of R 1 521 357 was paid into the municipality's bank account during the previous financial year but it was not allocated correctly. A receivable to amount of R942 377 was created that must be reversed as the grant funding was received.

The municipality changed its methodology relating to the allowance for impairment calculation to adhere to the disclosure requirements of GRAP 104. This methodology change was applied retrospectively and substantially increased the allowance for doubtful debt for property rates.

63.4 Inventories

Balance previously reported	46 990 515
Accumulated surplus	(466 478)
Property plant and equipment	(3 350 304)
VAT receivable	(1 037 564)
Inventory losses/ write downs	(445 857)
	41 690 312

The municipality incorrectly accounted for capital spares that must be classified as property plant and equipment.

The VAT relating to store purchases were not accounted for correctly.

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications (continued)**63.5 VAT receivable**

Balance previously reported	45 660 337
Accumulated surplus	(5 250 411)
Cash and cash equivalents	300 363
Inventory	1 037 564
Receivables from exchange transactions	9 772 226
Expenditure various	2 752 250
	54 272 329

The VAT allowance contribution account was mistated due to the implementation of mSCOA.

The sweeping between the traffic- / debtors bank accounts to the primary bank account was erroneously receipted to other income building plan fees and clearance certificates and the VAT was also impacted.

The VAT relating to store purchases were not accounted for correctly.

The municipality changed its methodology relating to the allowance for impairment calculation to adhere to the disclosure requirements of GRAP 104. This methodology change was applied retrospectively and substantially increased the allowance for doubtful debt for all services.

The system parameters did not automatically detect the input VAT required adjustments when payment to suppliers of various expenditure line items were made.

63.6 Property, plant and equipment

Balance previously reported	4 710 275 480
Accumulated surplus	36 980 061
Inventory	3 350 305
	4 750 605 846

The asset classes as per the CDIMS classification was correctly implemented by the municipality. Accumulated depreciation was not correctly accounted for between the fixed asset register and the general ledger.

The municipality incorrectly accounted for capital spares that must be classified as property plant and equipment.

63.7 Intangible assets

Balance previously reported	8 368 154
Accumulated surplus	(5 358 821)
	3 009 333

The accumulated depreciation per asset class was not accounted for correctly.

63.8 Investment property

Balance previously reported	423 252 024
Accumulated surplus	(2 104 322)
	421 147 702

The accumulated depreciation per asset class was not accounted for correctly.

Notes to the Annual Financial Statements**63. Prior period errors and Reclassifications (continued)****63.9 Payables from exchange transactions**

Balance previously reported	239 903 566
Unspent conditional grants and receipts	(467 884)
Receivables from non exchange transactions	(942 377)
Government grant and subsidies	(111 096)
Accumulated surplus - Prescription act	4 319 327
Other income - Prescription act	810 222
Accumulated surplus - migration mSCOA	224 090
Unspent conditional grants - developers contribution	(66 629)
	(353 349)
	243 315 870

The shared economic facility grant to the amount of R 1 521 357 was paid into the municipality's bank account during the previous financial year but it was not allocated correctly. A receivable to amount of R942 377 was created that must be reversed as the grant funding was received. The VAT component relating to the actual expenditure incurred in relation to the grant was allocated to government grants and subsidies. The difference of R 467 884 was accounted for as unspent conditional grants.

The municipality did not follow an extensive documented process to account for the unclaimed monies after three years and reversed all the allocations made to revenue since inception to the amount of R 5 129 549. The R810 222 related to the comparative financial year.

It was identified that the accruals at year end was not correctly accounted for to the amount of R 224 090.

Developers contributions to the amount of R66 629 was incorrectly accounted for as an advance payment.

63.10 Unspent conditional grants and receipts

Balance previously reported	101 602 890
Payables from exchange transactions	467 884
Government grants and subsidies - Human settlement development grant	(1 429 313)
Government grants and subsidies - Title deed restoration grant	(384 000)
Payables from exchange transactions - Advance payments	66 619
	100 324 080

The shared economic facility grant to the amount of R 1 521 357 was paid into the municipality's bank account during the previous financial year but it was not allocated correctly. A receivable to amount of R942 377 was created that must be reversed as the grant funding was received. The VAT component relating to the actual expenditure incurred in relation to the grant was allocated to government grants and subsidies. The difference of R 467 884 was accounted for as unspent conditional grants.

The Department of Human Settlements communicated to the municipality that the R 1 429 313 was a reimbursement for previous expenditure incurred.

The title deed restoration grant was utilised in the previous financial year but the related funding to the amount of R384 000 was not correctly allocated.

Developers contributions to the amount of R66 629 was incorrectly accounted for as Payables from exchange transactions, as an advance payment.

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications (continued)**63.11 Employee benefit obligation**

Balance previously reported	47 887 911
Employee benefit obligation - non current liability	1 716 035
	49 603 946

The long service awards current portion was incorrectly mapped to Employee benefit non-current liabilities.

63.12 Employee benefit obligation

Balance previously reported	219 186 792
Employee benefit obligation - current liability	(1 716 035)
	217 470 757

The long service awards current portion was incorrectly mapped to Employee benefit non-current liabilities.

63.13 Accumulated surplus

Balance previously reported	5 194 082 849
Inventory	(466 477)
VAT receivable	(5 250 568)
Payables from exchange transactions - Prescription act	(4 319 327)
Payables from exchange transactions	(224 090)
Receivables from exchange transactions	(15 204 574)
Receivables from non exchange transactions	(17 739 971)
Property plant and equipment	36 980 061
Intangible assets	(5 358 820)
Investment property	(2 104 322)
Statement of Financial Performance - surplus for the year	(17 802 813)
	5 162 591 948

Refer to the nature of the adjustments in the financial statement line items as indicated above.

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	862 001 445	-	-	862 001 445
Rental of facilities and equipment	14 992 251	-	-	14 992 251
Interest received (trading)	6 848 597	-	-	6 848 597
Agency services	2 364 609	156 407	-	2 521 016
Licences and permits	6 571 243	186 164	-	6 757 407
Other income	26 734 436	(1 609 092)	-	25 125 344
Investment revenue	55 109 631	-	-	55 109 631
Total revenue from exchange transactions	974 622 212	(1 266 521)	-	973 355 691
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	309 988 786	-	-	309 988 786
Transfer revenue				
Government grants & subsidies	210 534 572	655 216	-	211 189 788
Fines, Penalties and Forfeits	114 767 168	-	-	114 767 168
Total revenue from non-exchange transactions	635 290 526	655 216	-	635 945 742
Total revenue	1 609 912 738	(611 305)	-	1 609 301 433
Expenditure				
Employee related costs	(444 578 881)	(3 284 070)	-	(441 294 811)
Remuneration of councillors	(17 307 558)	-	-	(17 307 558)
Contribution to/from provisions	(996 043)	-	-	(996 043)
Contribution to employee benefits	(11 727 667)	-	-	(11 727 667)
Depreciation and amortisation	(157 549 555)	-	-	(157 549 555)
Impairment of non cash generating assets	(6 398 337)	12 064	-	(6 386 273)
Finance costs	(18 775 322)	-	-	(18 775 322)
Lease rentals on operating lease	(8 312 432)	227 299	-	(8 085 133)
Debt impairment	(47 970 580)	-	-	(47 970 580)
Contribution to allowance for doubtful debt	(52 961 613)	19 498 049	-	(72 459 662)
Bulk purchases	(329 681 698)	2 206	-	(329 679 492)
Contracted services	(123 010 474)	(2 072 983)	-	(125 083 457)
Transfers and subsidies	(6 261 185)	-	-	(6 261 185)
Loss on disposal of assets	-	-	-	(5 951)
General Expenses	(120 236 563)	1 299 589	-	(118 936 974)
Total expenditure	(1 345 767 908)	(16 745 804)	-	(1 362 519 663)
Operating surplus	264 144 830	(17 357 109)	-	246 781 770
Gain on disposal of assets and liabilities	335 771	-	-	335 771
Fair value adjustments	(795 806)	-	-	(795 806)
Gain on biological assets and agricultural produce	91 149	-	-	91 149
Inventories (losses/write-downs)	(197 322)	(445 857)	-	(643 179)
	(566 208)	(445 857)	-	(1 012 065)
Surplus for the year	263 578 622	(17 802 966)	-	245 769 705

Notes to the Annual Financial Statements**63. Prior period errors and Reclassifications (continued)****63.14 Other Income**

Balance previously reported	26 734 436
Government grants and subsidies	1 269 193
Cash and cash equivalents	(2 078 841)
Payables from exchange transactions	(810 222)
Licences and Permits	10 778
	25 125 344

The Local Government Seta mandatory allocation was reclassified from government grants and subsidies to other income.

The sweeping between the traffic- / debtors bank accounts to the primary bank account was erroneously receipted to other income building plan fees and clearance certificates.

The municipality did not follow an extensive documented process to account for the unclaimed monies after three years and reversed all the allocations made to revenue since inception to the amount of R 5 129 549. The R810 222 related to the comparative financial year.

63.15 Government grants & subsidies

Balance previously reported	210 534 572
Other income	(1 269 193)
Unspent conditional grants and receipts - Human settlement development grant	1 429 313
Unspent conditional grants and receipts - Title deed restoration grant	384 000
Payables from exchange transactions	111 096
	211 189 788

The Local Government Seta mandatory grant was reclassified to Other income.

The Department of Human Settlements communicated to the municipality that the R 1 429 313 was a reimbursement for previous expenditure incurred.

The title deed restoration grant was utilised in the previous financial year but the related funding to the amount of R384 000 was not correctly allocated.

The shared economic facility grant to the amount of R 1 521 357 was paid into the municipality's bank account during the previous financial year but it was not allocated correctly. A receivable to amount of R942 377 was created that must be reversed as the grant funding was received. The VAT component relating to the actual expenditure incurred in relation to the grant to the amount of R 111 096 was allocated to government grants and subsidies. The difference of R 467 884 was accounted for as unspent conditional grants.

63.16 Employee related costs

Balance previously reported	(444 578 881)
Contracted services	3 284 070
	(441 294 811)

Contracted services was incorrectly accounted for as employee related costs.

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications (continued)**63.17 Impairment of non cash generating assets**

Balance previously reported	(6 398 337)
VAT receivable	12 064
	<u>(6 386 273)</u>

The system parameters did not automatically detect the input VAT required adjustments when payment to suppliers of various expenditure line items were made.

63.18 Contribution to allowance for doubtful debt

Balance previously reported	(52 961 613)
Receivables from exchange transactions	(18 989 685)
Receivables from non-exchange transactions	(508 364)
	<u>(72 459 662)</u>

The municipality changed its methodology relating to the allowance for impairment calculation to adhere to the disclosure requirements of GRAP 104. This methodology change was applied retrospectively and substantially increased the allowance for doubtful debt for all services.

63.19 Bulk purchases

Balance previously reported	(329 681 698)
VAT receivable	2 206
	<u>(329 679 492)</u>

The system parameters did not automatically detect the input VAT required adjustments when payment to suppliers of various expenditure line items were made.

63.20 Contracted services

Balance previously reported	(123 010 472)
Employee related costs	(3 284 070)
VAT receivable	1 211 085
	<u>(125 083 457)</u>

Contracted services was incorrectly accounted for as employee related costs.

The system parameters did not automatically detect the input VAT required adjustments when payment to suppliers of various expenditure line items were made.

63.21 Lease rentals on operating lease

Balance previously reported	(8 312 432)
VAT receivable	227 299
	<u>(8 085 133)</u>

The system parameters did not automatically detect the input VAT required adjustments when payment to suppliers of various expenditure line items were made.

Notes to the Annual Financial Statements

63. Prior period errors and Reclassifications (continued)**63.22 General Expenses**

Balance previously reported	(120 236 562)
VAT receivable	1 299 588
	-
	<u>(118 936 974)</u>

The system parameters did not automatically detect the input VAT required adjustments when payment to suppliers of various expenditure line items were made.

63.23 Irregular expenditure

Balance previously reported	41 813 016
Prior period error: Write down in 2016/2017	(7 076 214)
	<u>34 736 802</u>

Irregular expenditure to the amount of R7 076 214 was written off by council.

63.24 Inventory: (Write-down)

Balance previously reported	(197 322)
Inventory adjustment	(445 857)
	<u>(643 179)</u>

Additional losses were identified in the 2017/2018 financial year on inventory.

Notes to the Annual Financial Statements

64. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% as depicted in the Statement of Comparison of Budget and Actual Amounts are explained below.

Statement of Financial Performance

Revenue

Service charges (BD1)

The projection was based on the prior period's collection.

Rental of facilities and equipment (BD2)

The revenue for rental of facilities and equipment declined due to the factors of social change, which is cultural and economic change.

Interest earned - outstanding receivables (BD3)

The budget projection increase was based on the prior period's position of debtors.

The projected collection was based on historic performance.

Licences and permits (BD4)

The projection was based on the prior period's collection.

Other income (BD5)

The decrease is mainly due to the implementation of mSCOA and the specific categories in the chart

Government grants & subsidies (BD6)

Some conditional grants have not yet met conditions and not yet recorded as revenue, hence the significant

Fines, Penalties and Forfeits (BD7)

The budget projection for Fines was based on previous performance.

Expenditure

Employee cost (BD35)

Council approved a new organisational structure for the municipality. A decision was made to phase in the appointments for new positions over a period of three years.

Contribution to / from provisions (BD8)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions i.e. Discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Contribution to employee benefits (BD9)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions i.e. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Finance costs (BD11)

Notes to the Annual Financial Statements

64. Budget differences (continued)

This pertains to the unwinding of the interest of the provision for landfill sites.

Impairment loss/ Reversal of impairments (BD10)

No assets were impaired/ reversed for impairment during the year.

Debt Impairment (BD12)

The projection was based on historical data

Contribution to allowance for doubtful debt (BD13)

The projection was based on historic performance of debtors' accounts

Contracted Services (BD14)

Re-classification of other general expenses resulted in the actual amount increasing

General Expenses (BD15)

Implementation of cost-cutting measures and re-classifying some general expenses as contracted services and external loan not being taken

Loss on disposal of assets and liabilities (BD16)

The municipality cannot estimate what value it will receive for items disposed during the auction.

Fair value adjustments (BD17)

These adjustments are based on estimates that cannot be budgeted for.

Gain on biological assets and agricultural assets

The gain is based on the growth of the biological assets and cannot be calculated before hand for budget purposes.

Inventories (losses/write downs) (BD18)

The write downs are based on the occurrence of specific activities during the period, for example stock take, and can thus not be budgeted for.

Statement of Financial Position

Assets

Cash and cash equivalents (BD19)

Due to unspent conditional grants, there was more cash to invest on a short-term basis.

Receivables from exchange transactions (BD20)

The municipality implemented higher water tariffs during the drought which lead to an increase in outstanding debtor balances

Other receivables from exchange transactions (BD21)

During the financial year the municipality implemented higher water tariffs resulting in an increase in the estimate for water

Inventories (BD22)

Notes to the Annual Financial Statements

64. Budget differences (continued)

Significant bulk inventory items were procured during the year which were still unused at year end, hence also the decrease in repairs and maintenance spending

VAT receivable (BD23)

Management did not anticipate a VAT receivable at year end.

Long term receivable (BD24)

This includes arrangement debtors. Debtors Normally default on their arrangement with the municipality, which lead to a under budget of Long term receivables.

Intangible Assets (BD25)

The municipality had planned to procure more software systems.

Biological assets that form part of an agricultural activity (BD26)

The budgeted amount is based on the previous fair value model which has since been changed to cost model

Heritage assets (BD27)

The budgeted amount is based on the previous fair value model which has since been changed to cost model.

Liabilities

Consumer deposits (BD28)

Growth in our community/ client base resulting in increase deposits.

Employee benefit obligation (BD29)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Operating lease liability (BD30)

Operating lease liability is included in other financial liabilities

Other financial liabilities (BD31)

The external loan was taken up towards the end of the financial year.

Provisions (BD32)

Provisions are based on experts' work as at the end of the financial year using information that is not available during the budget. The budget is based on historic amounts.

Payables from exchange transactions (BD33)

This was mainly due to late contractor appointments, delays in projects which led to more invoices not being paid at year end.

Unspent conditional grants and receipts (BD34)

Due to unforeseen circumstances, late contractor appointments, delays in projects, etc, conditions of some grants could not be met at year end.

Notes to the Annual Financial Statements

64. Budget differences (continued)

Cash Flow Statement

Grants (CF 11)

The equitable share allocated per the Division of Revenue Act (DoRA) increased to accommodate the increase in active housing projects.

Interest income (CF 12)

Capital projects were funded from Capital Replacements Reserves (CRR) instead loans. The loans were only taken up towards the end of the financial year.

Payments

Suppliers and employee costs (CF1)

Bulk purchases which are bought by the municipality are based on the consumption of the community have decreased compared to the prior year. The decrease in the consumption is due to the water restrictions that have been implemented by the municipality.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

Transfers and grants (CF2)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

Cash flow from investing activities

Purchase of PPE (CF3)

The variance relates to the underspending on the capital budget.

Proceeds from sale PPE (CF4)

The proceeds from sale of property, plant and equipment were better than expected, which is beneficial to the municipality.

Purchase of intangible assets (CF5)

The municipality had undertaken a feasibility into new software for cemeteries.

Proceeds from non current receivables (CF7)

Arrangement debtors classified as long term receivables

Proceeds from biological assets (CF8)

Management did not anticipate to sell biological assets during the financial year.

Movement in investments (CF9)

The municipality invested excess funds for periods more than 3 months but up to 12 months, these investments are classified as short term investments in the statement of financial position.

Cash flow from financing activities

Prior Period Errors (CF10)

Management did not anticipate to identify a prior period error

Notes to the Annual Financial Statements

65. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 5 287 153 581 and that the municipality's total assets exceed its liabilities by R 5 287 153 581.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

66. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of the Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

The D/SM acronym refers to the deviation number as approved by the Accounting Officer.

Deviation no:	Date of adjudication	Supplier	Reason	Rate of recurrence	Contract/ Order Amount
D/SM 1/18	11/07/2017	Total SA	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	3 000 000
D/SM 2/18	11/05/2017	Landfill Consult (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	2 282 280
D/SM 3/18	30/06/2017	The Sustainability Institute Innovations Lab	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	110
D/SM 4/18	18/08/2017	CBI Electric African Cables	Emergency	Total D/SM amount	1 481 821
D/SM 5/18	05/09/2017	Smith Tabata Buchanan Boyes (STBB)	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM: 6/18	05/09/2017	The Geoss Pty (Ltd)	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	500 000
D/SM 7/18	05/09/2017	HATCH GOBA (PTY) LTD	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	15 000 000
D/SM 8/18	05/09/2017	RPM Drilling, EDRS, JM Drilling, GDSDA and SA Rock Drill	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 9/18	26/09/2017	Apptronics	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	634 684
D/SM 10/18	02/10/2017	Wendy Cape CC Trendy Wendy's JR Wendy'sPHK Trading and Maintenance CC Asemna Logistics CC Iquebela Cleaning Services and Projects Amabamba Fencing (Pty) Ltd Betafence	Emergency	Total D/SM amount	839 894
D/SM 11/18	02/10/2017	Interwaste (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 774 584
D/SM 12/18	02/10/2017	ABSA	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	120 000
D/SM 14/18	09/10/2017	JR Wendy's	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	795 800

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

66. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 15/18	19/10/2017	Master Drilling	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 16/18	20/10/2017	Veolia Water Solutions & Technologies SA (Pty) Ltd / Carecure (Pty) Ltd Aquamat S.A. (Pty) Ltd Sustainable Engineering Consultants (Pty) Ltd (Alveo) WSSA (PTY) LTD (Proxa Water)	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 17/18	20/10/2017	CBI Cables	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	480 922
D/SM 18/18	27/10/2017	EXEO Khokela Civil Engineering	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 19/18	17/11/2017	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 20/18	08/12/2017	BW Management Waste Carriers	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	900 000
D/SM 21/18	28/11/2018	STBB	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates (p/h)	1 400
D/SM 22/18	08/11/2017	Rainbow Lighting	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	336 933
D/SM 23/18	22/11/2017	Various Artists	Acquisition of special works of art or historical objects where specifications are difficult to compile and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	184 500
D/SM 24/18	08/12/2017	Tuffy Manufacturing	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates (per 1000 bags)	917
D/SM 27/18	19/01/2018	Mindspring	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	491 601
D/SM 28/18	20/12/2017	Broadway Hardware	Impractical	Total D/SM amount	255 000
D/SM 29/18	15/01/2018	WREV Construction	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	12 000
D/SM 32/18	08/02/2018	Nokhala Cleaning Services	Emergency	Total D/SM amount	36 000
D/SM 33/18	19/03/2018	IntastorWF Constructions WEC Consult	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	16 035 573
D/SM 34/18	20/03/2018	Bergzicht Boland Promotions Polorama	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	435 661

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66. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 35/18	12/03/20218	BVI Consulting Engineers	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	81 184
D/SM 36/18	10/04/2018	Panel	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 37/18	11/04/2018	Panel	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 38/18	13/04/2018	Flotron	Emergency		7 849
D/SM 40/18	25/04/2018	WEC Projects	Emergency	Total D/SM amount	21 563
D/SM 41/18	13/04/2018	Bytes System Intergration (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	924 588
D/SM 42/18	09/05/2018	JR Wendys CC	Emergency	Total D/SM amount	314 200
D/SM 43/18	15/05/2018	JoJo Vertical Water Tanks	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	63 511
D/SM 44/18	15/05/2018	Cornerstone Environmental Consultants	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	81 656
D/SM 44/18	15/05/2018	Siyakhatala Safety	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	10 000
D/SM 44/18	15/05/2018	Deloitte Consulting	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	10 000
D/SM 49/18	05/06/2018	Lupat General Trading (Pty) Ltd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	9 000
D/SM 50/18	06/06/2018	Split Second Science	Impractical	Total D/SM amount	41 465
D/SM 51/18	11/06/2018	The Amazing Magic of Regardt Laubscher	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 52/18	11/06/2018	Ontec Systems	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 53/18	18/05/2018	Livewire Engineering and Consulting (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	49 500
D/SM 54/18	01/06/2018	Basson Blackburn Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 55/18	29/06/2018	AT Planing Town and Regional Planning Service	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 56/18	29/06/2018	Franschoek Farmgaurd	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
		Cumax Security Service			
		Sondella Security			
		Tyte Security			
		Maqeba Security			
		Leelyn Management	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-

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66. Deviations from, and ratification of minor breaches of procurement process (continued)

In accordance with paragraph 4.36(a) of the Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below for the comparative year:

Deviation no:	Date of adjudication	Supplier	Reason	Rate of recurrence	Contract/ Order amount
D/SM 1/19	11/07/2018	Abedare Cables	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	228 073
D/SM 2/19	13/07/2018	Xaba Engineering & Consulting	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	138 745
D/SM 3/19	25/07/2018	Avalon Tchnology Group	Emergency	Total D/SM amount	70 822
D/SM 4/19	03/08/2018	JVZ Construction	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	3 445 713
D/SM 5/19	09/08/2018	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	515 960
D/SM 6/19	07/08/2018	Interwaste Environmental Solutions	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	7 838 976
D/SM 7/19	03/08/2018	Resource Innovations	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 780 669
D/SM 8/19	21/08/2018	Aurecon Consulting Engineers	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	526 082
D/SM 9/19	07/08/2018	Naele's Hydraulics	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	29 321
D/SM 10/19	09/10/2018	Telkom SA SOC	Goods or services are produced or available from a single provider	Total D/SM amount	2 061 220
D/SM 11/19	01/08/2018	Sowerby Engineering WEC Projects	Goods or services are produced/available from a single provider and an exceptional case which made it impossible to follow the standard procurement process	Total D/SM amount	96 907
D/SM 15/19	22/08/2018	TSU Protection Services	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 701 828
D/SM 17/19	09/10/2018	Livewire Engineering and Consulting (Pty) Ltd	Emergency	Rates	-
D/SM 19/19	21/09/2018	Advocate Vermaak	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	76 500
D/SM 20/19	21/09/2018	GLS Consulting	Goods or services are produced or available from a single provider	Rates	

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66. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 21/19	28/09/2018	Metro City Protection Services	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 23/19	15/10/2018	Transmission Gear Services MAN Engineering Services Gorman Rupp	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	198 055
D/SM 26/19	16/10/2018	Kings Catering	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	97 300
D/SM 27/19	19/10/2018	I Bester Staal	Emergency and goods or services are produced or available from single provider	Total D/SM amount	11 696
D/SM 28/19	03/12/2018	Weber Wentzel	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	363 200
D/SM 29/19	26/11/2018	Microsoft Corporation	Goods or services are produced or available from a single provider	Rates	-
D/SM 30/19	14/12/2018	Hydro-Tech System (Pty) Ltd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM Amount	1 520 028
D/SM 31/19	21/12/2018	I Bester Staal	Emergency and goods or services are produced or available from single provider	Total D/SM amount	4 025
D/SM 32/19	21/12/2018	Leelyn Management	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 33/19	27/12/2018	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	515 960
D/SM 34/19	27/12/2018	Farm Gaurd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	197 373
D/SM 35/19	25/01/2019	Farm Gaurd Security	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 36/19	18/02/2019	Gateway Metal Works (Pty)(Ltd)	Emergency	Total D/SM amount	2 068 395
D/SM 38/19	28/02/2019	Genadendal Jackies Bazaar Wate Mart (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	2 463 300
D/SM 39/19	07/03/2019	Plan Associates Town and Regional Planners	Exceptional case and it is impractical or impossible to follow the official procurement process.	Total D/SM amount	553 500
D/SM 41/19	19/03/2019	Smith Tabata Buchanan Boys Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	287 500
D/SM 42/19	19/03/2019	Rufus Dercksen Inc	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	179 837
D/SM 43/19	29/03/2019	Total Cooling Solutions Pty Ltd	Emergency	Total D/SM amount	77 121
D/SM 44/19	29/03/2019	John Macrobert Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	22 078

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66. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 45/19	29/03/2019	APEX	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	114 770
D/SM 46/19	06/05/2019	Smith Tabata Muchanan Boyes (STBB)	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	25 872
D/SM 47/19	28/06/2019	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	310 500
D/SM 48/19	28/06/2019	Avalon Technology Group	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	91 500
D/SM 49/19	19/06/2019	Interwaste	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	2 920 746
D/SM 50/19	07/06/2019	Van der Spuy	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	490 000
D/SM 51/19	24/12/2018	Andre Swart of Smit of tabata Buchanan Boyes Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	200 000